UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 12, 2021

Duos Technologies Group, Inc.

(Exact name of registrant as specified in its charter)

Florida	**001-39227**	**65-0493217**
(State or Other Jurisdiction of Incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification No.)*

6622 Southpoint Drive S, Suite 310, Jacksonville, Florida 32216
(Address of Principal Executive Offices) (Zip Code)

(904) 652-1601
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value $0.001 per share)	DUOT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On August 12, 2021, Duos Technologies Group, Inc. (the "Company") issued a press release announcing the financial and operating results of the Company for the quarter and six months ended June 30, 2021. The text of the press release is furnished as Exhibit 99.1 and incorporated herein by reference.

Additionally, on August 12, 2021, the Company held an earnings phone call open to the public (the "Earnings Call"). Mr. Chuck Ferry, the Company's Chief Executive Officer, along with Mr. Adrian G. Goldfarb, the Company's Chief Financial Officer, discussed the financial and operating results of the Company for the quarter and six months ended June 30, 2021. The transcript of the Earnings Call is furnished as Exhibit 99.2 and incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

The information set forth in Item 2.02 of this Current Report on Form 8-K is incorporated by reference into this Item 7.01.

<u>Cautionary Note Regarding Forward-Looking Statements</u>

This Current Report on Form 8-K includes information that may constitute forward-looking statements. These forward-looking statements are based on the Company's current beliefs, assumptions and expectations regarding future events, which in turn are based on information currently available to the Company. By their nature, forward-looking statements address matters that are subject to risks and uncertainties. Forward-looking statements include, without limitation, statements relating to projected industry growth rates, the Company's current growth rates and the Company's present and future cash flow position. A variety of factors could cause actual events and results, as well as the Company's expectations, to differ materially from those expressed in or contemplated by the forward-looking statements. Risk factors affecting the Company are discussed in detail in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by applicable law.

The information in Item 2.02 and Item 7.01 of this Current Report on Form 8-K, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

The press release and transcript of the Earnings Call may also be found on our website at https://duostechnologies.com.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description of Exhibit
99.1	Press Release, dated August 12, 2021.
99.2	Transcript of Earnings Call with Mr. Chuck Ferry and Mr. Adrian G. Goldfarb, dated August 12, 2021.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

DUOS TECHNOLOGIES GROUP, INC.

Dated: August 16, 2021

By: /s/ *Adrian Goldfarb*
Adrian Goldfarb
Chief Financial Officer

Duos Technologies Group Reports Second Quarter and Six Month 2021 Results

JACKSONVILLE, FL / ACCESSWIRE / August 12, 2021 / Duos Technologies Group, Inc.("Duos" or the "Company")(Nasdaq: DUOT), a provider of intelligent security analytical technology solutions, reported financial results for the second quarter ended June 30, 2021.

Second Quarter 2021 and Recent Operational Highlights

- Joined the Russell Microcap® Index at the conclusion of the 2021 Russell indexes annual reconstitution.
- Introduced obliquevue™ and additional perspectives to the Company's current Railcar Inspection Portals (rip®) solution. The obliquevue™ is the first of a new generation of AI-based inspection systems being developed by Duos as a part of its new "rapid development" initiative.
- Continued marketing partnership with Dell Technologies, which featured Duos in a recent CIO.com blog post (AI at the Edge Keeps Trains on Track) and a Harvard Business Review post (Why Your Business Needs to Treat Your Edge Data as Capital).
- Received an order for an Automated Pantograph Inspection System (apis®) to be installed at a transit system based in Canada. Installation is expected to be complete in early 2022.
- Received an initial order for an expansion to a multi-site rip® system. The order is for two sites and is expected to be installed later this year.
- Appointed new independent board member Craig Nixon, whose election was approved by shareholders at the Company's Annual Shareholder Meeting in July. Nixon is a retired high-ranking military officer with extensive, recent experience in technology consulting with several prominent Silicon Valley companies.
- Signed lease for a new building located near the Company's current headquarters; terms were structured so that there will be no additional cash expense through the beginning of 2023. The new facility will house all staff in one location and has sufficient space for the Company's anticipated expansion over the next 12 months.

Second Quarter 2021 Financial Results

It should be noted that the following Financial Results represent the consolidation of the Company with its subsidiaries Duos Technologies, Inc. andtruevue360™.

Total revenue for the second quarter decreased 67% to $649,000 compared to $1.98 million in the same period last year. This was the aggregate of about $100,000 for technology systems and $548,000 in recurring services revenue. The decrease in total revenue was the result of a delay in receiving "notices to proceed" for anticipated new contracts earlier in the year. Due to the pandemic and other macro-economic effects, such as the current computer chip shortage which is extending deadlines for shipment of key components used in Duos' technology systems, there are uncertainties that can impact the Company's operations. As a result, certain installations may produce revenues towards the end of the year, some of which may ultimately be recorded in 2022.

Cost of revenues increased 22% to $2.19 million compared to $1.79 million in the same period last year. Cost of revenues increased for services and consulting, which comprises of equipment, labor and overhead necessary to support the implementation of new systems and support and maintenance of existing systems. Cost of revenues on technology systems decreased during the period compared to the equivalent period in 2020, but by a smaller amount than the decrease in revenues. There was also a significant increase in cost related to the deployment of a new undercarriage technology. Costs are expected to be much lower going forward as a percentage of the overall system price.

Gross margin totaled $(1.54) million compared to $187,000 in the same period last year. The decrease in gross margin was driven by a decrease in recorded revenues. As noted above, the decrease in total revenues is due primarily to a pause in new installations in the technology systems part of the business. The Company is actively revamping its operations to support an anticipated increase in number of new systems going forward. The resultant additional cost of revenues, while somewhat offset by decreases in SG&A expenses, is not yet covered by a comparable increase in revenues as of the second quarter 2021. The Company anticipates an improvement in the overall gross margin for the full year reporting in 2021, with the majority of those improvements coming in the second half of the year.

Operating expenses decreased 13% to $1.41 million from $1.61 million in the same period last year. The decrease in operating expenses was driven by decreases in administration and research and development expenses, offset by increases in sales & marketing.

Net loss totaled $2.95 million compared to net loss of $1.47 million in the same period last year. The increase in net loss was primarily attributable to the decrease in total revenue noted previously.

Cash and cash equivalents at quarter-end totaled $4.82 million, compared to $3.97 million at December 31, 2020.

Six Month 2021 Financial Results

Total revenue decreased 6% to $2.80 million from $2.97 million in the same period last year. The decrease in total revenue was driven by a slowdown in overall business bookings during the first six months due to delays in executing new contracts and certain travel restrictions resulting from macro-economic headwinds. The decrease was mostly offset by an increase in services and consulting revenues as a result of new contracts which are mostly recurring in nature. As noted previously, due to the pandemic and other macro-economic effects, such as the current computer chip shortage which is extending deadlines for shipment of key components used in Duos' technology systems, there are uncertainties that can impact the Company's operations. As a result, certain installations may produce revenues towards the end of the year, some of which may ultimately be recorded in 2022.

Cost of revenues increased 43% to $4.92 million from $3.44 million in the same period last year. The increase was driven by increased costs of deployment related to certain installations where new technologies were being deployed for the first time. Costs for services and consulting increased at a proportionate rate to the increase in revenues. This trend is expected to reverse in the next six months as certain economies of scale become evident in the second half of 2021 and beyond. Overhead more than doubled for the period reflecting higher costs for staffing current and anticipated projects although this rate of increase is expected to flatten in the second half of 2021.

Gross margin decreased to $(2.11) million from $(468,000) in the same period last year. The decrease in gross margin was mainly the result of lower revenues during the six-month period and the proportion of costs allocated to projects being higher as a percentage against lower revenues. The Company anticipates an improvement in the overall gross margin for the full year reporting in 2021, with the majority of those improvements coming in the second half of the year.

Operating expenses decreased 13% to $2.64 million from $3.05 million in the same period last year. The decrease in operating expenses can be attributed to decreases in administration costs and research & development expenses, slightly offset by an increase in sales and marketing. The Company has taken actions to reduce certain expenditures to align its spending with the current slowdown in revenues due to delays in execution of existing projects.

Net loss totaled $3.36 million compared to a net loss of $3.61 million in the same period last year. The improvement in net loss was primarily attributable to the impact of the

Cares Act PPP loan forgiveness and the effect of lower operating expenses during the 2021 six-month period compared to the prior year.

Financial Outlook

For the fiscal year ending December 31, 2021, the Company had previously guided total revenue to be approximately $18.0 million. The Company's guidance was based on contracts in backlog and near-term pending orders that are already performing or were scheduled to be executed by the fourth quarter of 2021. Due to certain macro-economic effects, including the resurgent COVID-19 Delta variant as well as global supply chain issues, the Company is experiencing much longer lead times for contracts to be awarded and the associated "notices to proceed," which would signal the start of the procurement and deployment processes. With procurement, the Company is experiencing delays in receiving necessary components, including advanced cameras, and high-powered servers which are critical components to its inspection portals. The Company is taking certain steps to mitigate some of these issues such as procuring long-lead items in advance of formal notices to proceed in order to reduce the overall deployment time for technology systems.

Accordingly, the Company is revising its revenue guidance where the previously forecasted $18M in revenues will be achieved by the end of the second quarter of 2022. For Fiscal Year 2021, uncertainty remains as to when, due to the issues described above, certain revenues can be booked in accordance with the ASC-606 revenue recognition policy. At this time, the Company expects to achieve between $8M and $9M for the current fiscal year based on the current situation as currently understood. Management also expects its operations to achieve breakeven for the last quarter of 2021 with an improved cash liquidity position by year end based on anticipated orders. Although uncertainties continue in the macro-economic climate, management believes that 2022 will yield a much stronger financial performance for revenue and be profitable for the fiscal year.

Management Commentary

"During the second quarter we continued to navigate through some short-term industry and operational headwinds, which impacted our financial results during the period but are not expected to affect our long-term growth plans," said Duos Chief Executive Officer Chuck Ferry. "Our company is still in the midst of a challenging transition period as we make further investments in both infrastructure and support to reinforce our ability to meet the order flow we're anticipating within the next few quarters. More specifically, within our AI business, we've made comprehensive staffing changes to our internal team to meet demand for more comprehensive algorithm development, which has slowed deployment times in the near term but is strongly supported by our existing customers. We are actively expanding our rail pipeline and have made encouraging progress in getting key contracts closer to the finish line, which we expect to materialize in the second half of the year. However, due to the uncertainty around exact timing when these contracts will occur, we are revising our estimates for the year to account for potential timing discrepancies. Long term, we remain confident in the path we've laid out to become a self-sustaining, high-growth business in the years ahead."

Conference Call

The Company's management will host a conference call today, Thursday, August 12, 2021, at 4:30 p.m. Eastern time (1:30 p.m. Pacific time) to discuss these results, followed by a question and answer period.

Date: Thursday, August 12, 2021

Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)

U.S. dial-in: 877-226-0954

International dial-in: 303-223-0117

Confirmation: 13722166

Please call the conference telephone number 5-10 minutes prior to the start time of the conference call. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 949-574-3860.

The conference call will be broadcasted live via telephone and available for online replay via the investor section of the Company's website here (https://ir.duostechnologies.com/).

About Duos Technologies Group, Inc.

Duos Technologies Group, Inc. (Nasdaq: DUOT), based in Jacksonville, Florida, through its wholly owned subsidiary, Duos Technologies, Inc., designs, develops, deploys and operates intelligent technology solutions supporting rail, logistics, intermodal and Government customers that streamline operations, improve safety and reduce costs. The Company provides cutting edge solutions that automate the mechanical and security inspection of fast moving trains, trucks and automobiles through a broad range of proprietary hardware, software, information technology and artificial intelligence. For more information, visit www.duostech.com.

Forward-Looking Statements

This news release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, regarding, among other things our plans, strategies and prospects -- both business and financial. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Many of the forward-looking statements contained in this news release may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "will," "may," "intend," "estimated," and "potential," among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this news release include market conditions and those set forth in reports or documents that we file from time to time with the United States Securities and Exchange Commission. We do not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law. All forward-looking statements attributable to Duos Technologies Group, Inc. or a person acting on its behalf are expressly qualified in their entirety by this cautionary language.

Contacts

Corporate
Fei Kwong
Duos Technologies Group, Inc. (Nasdaq: DUOT)
904-652-1625

fk@duostech.com

Investor Relations
Matt Glover or Tom Colton
Gateway Investor Relations
949-574-3860
DUOT@gatewayIR.com

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30, 2021	For the Three Months Ended June 30, 2020	For the Six Months Ended June 30, 2021	For the Six Months Ended June 30, 2020
REVENUES:				
Technology systems	$ 100,401	$ 1,597,633	$ 1,590,699	$ 2,111,307
Services and consulting	548,267	384,509	1,212,723	861,780
Total Revenues	648,668	1,982,142	2,803,422	2,973,087
COST OF REVENUES:				
Technology systems	1,214,370	1,322,032	3,109,855	2,414,090
Services and consulting	378,319	214,244	709,703	508,198
Overhead	593,231	258,403	1,096,824	518,824
Total Cost of Revenues	2,185,920	1,794,679	4,916,382	3,441,112
GROSS MARGIN	(1,537,252)	187,463	(2,112,960)	(468,025)
OPERATING EXPENSES:				
Sales & marketing	351,251	122,473	663,052	262,325
Research & development	79,131	149,566	140,164	555,958
Administration	980,834	1,342,480	1,854,592	2,228,663
Total Operating Expenses	1,411,216	1,614,519	2,657,808	3,046,946
LOSS FROM OPERATIONS	(2,948,468)	(1,427,056)	(4,770,768)	(3,514,971)
OTHER INCOME (EXPENSES):				
Interest expense	(5,541)	(58,243)	(11,761)	(127,175)
Other income, net	1,129	19,410	1,423,626	29,208
Total Other Income (Expense)	(4,412)	(38,833)	1,411,865	(97,967)
NET LOSS	$ (2,952,880)	$ (1,465,889)	$ (3,358,903)	$ (3,612,938)
Basic & Diluted Net Loss Per Share	$ (0.83)	$ (0.42)	$ (0.95)	$ (1.16)
Weighted Average Shares-Basic & Diluted	3,553,718	3,526,382	3,544,579	3,106,660

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,822,945	$ 3,969,100
Accounts receivable, net	239,616	1,244,876
Contract assets	152,789	102,458
Prepaid expenses and other current assets	741,897	486,626
Total Current Assets	5,957,247	5,803,060

Property and equipment, net	357,974	342,180
Operating lease right of use asset	89,468	196,144
OTHER ASSETS:		
Patents and trademarks, net	69,166	64,415
Total Other Assets	69,166	64,415
TOTAL ASSETS	$ 6,473,855	$ 6,405,799
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 529,679	$ 599,317
Accounts payable - related parties	7,700	7,700
Notes payable - financing agreements	154,631	42,942
Payroll taxes payable	—	3,146
Accrued expenses	1,093,123	1,038,092
Current portion - equipment financing agreements	94,904	89,620
Current portion-operating lease obligations	91,954	202,797
Current portion-PPP loan	—	627,465
Contract liabilities	171,281	709,553
Deferred revenue	1,098,142	315,370
Total Current Liabilities	3,241,414	3,636,002
Equipment financing payable, less current portion	54,373	103,184
PPP loan, less current portion	—	782,805
Total Liabilities	3,295,787	4,521,991
Commitments and Contingencies (Note 5)		
STOCKHOLDERS' EQUITY:		
Preferred stock: $0.001 par value, 10,000,000 authorized, 9,480,000 shares available to be designated		
Series A redeemable convertible preferred stock, $10 stated value per share, 500,000 shares designated; 0 issued and outstanding at June 30, 2021 and December 31, 2020, convertible into common stock at $6.30 per share	—	—
Series B convertible preferred stock, $1,000 stated value per share, 15,000 shares designated; 1,705 and 1,705 issued and outstanding at June 30, 2021 and December 31, 2020, convertible into common stock at $7 per share	1,705,000	1,705,000
Series C convertible preferred stock, $1,000 stated value per share, 5,000 shares designated; 4,500 issued and outstanding at June 30, 2021 and 0 issued and outstanding at December 31, 2020, convertible into common stock at $5.50 per share	4,500,000	—
Common stock: $0.001 par value; 500,000,000 shares authorized, 3,585,927 and 3,535,339 shares issued, 3,584,603 and 3,534,015 shares outstanding at June 30, 2021 and December 31, 2020, respectively	3,586	3,536
Additional paid-in capital	39,973,987	39,820,874
Total stock & paid-in-capital	46,182,573	41,529,410
Accumulated deficit	(42,847,053)	(39,488,150)
Sub-total	3,335,520	2,041,260
Less: Treasury stock (1,324 shares of common stock at June 30, 2021 and December 31, 2020)	(157,452)	(157,452)
Total Stockholders' Equity	3,178,068	1,883,808
Total Liabilities and Stockholders' Equity	$ 6,473,855	$ 6,405,799

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30,	
	2021	**2020**
Cash from operating activities:		
Net loss	$ (3,358,903)	$ (3,612,938)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	171,382	97,353
Stock based compensation	153,163	96,270
Modification of employee stock options	—	102,800
PPP loan forgiveness including accrued interest	(1,421,577)	—
Interest expense related to debt discounts	—	94,627
Amortization of operating lease right of use asset	106,676	113,419
Changes in assets and liabilities:		
Accounts receivable	902,871	2,114,802
Contract assets	(50,331)	530,110
Prepaid expenses and other current assets	98,055	235,194
Accounts payable	(69,638)	(2,009,394)
Accounts payable-related party	—	(300)
Payroll taxes payable	(3,146)	(104,381)
Accrued expenses	66,338	(247,474)
Lease obligation	(110,843)	(114,865)
Contract liabilities	(485,722)	(5,378)

Deferred revenue	782,772	(442,598)
Net cash used in operating activities	(3,218,903)	(3,152,753)
Cash flows from investing activities:		
Purchase of patents/trademarks	(7,435)	(7,735)
Purchase of fixed assets	(184,492)	(171,467)
Net cash used in investing activities	(191,927)	(179,202)
Cash flows from financing activities:		
Repayments of line of credit	—	(27,615)
Repayments of insurance and equipment financing	(191,798)	(83,257)
Repayment of finance lease	(43,527)	(21,786)
Repayment of notes payable	—	(1,000,000)
Proceeds from PPP loan	—	1,410,270
Proceeds from equipment financing	—	121,637
Proceeds from common stock issued	—	9,253,128
Issuance cost	—	(1,001,885)
Proceeds from preferred stock issued	4,500,000	—
Net cash provided by financing activities	4,264,675	8,650,492
Net increase in cash	853,845	5,318,537
Cash, beginning of period	3,969,100	56,249
Cash, end of period	$ 4,822,945	$ 5,374,786
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 22,339	$ 29,830
Supplemental Non-Cash Investing and Financing Activities:		
Common stock issued for accrued BOD fees	$ —	$ 15,000
Lease right of use asset and liability	$ —	$ 644,245
Note issued for financing of insurance premiums	$ 303,487	$ 216,754

SOURCE: Duos Technologies Group, Inc.

Presentation

Operator

Good afternoon. Welcome to Duos Technologies Second Quarter 2021 Earnings Conference Call. Joining us for today's call are Duos' CEO, Chuck Ferry; and CFO, Adrian Goldfarb. [Operator Instructions] Then before we conclude today's call, I'll provide the necessary cautions regarding the forward-looking statements made by management during this call. Now, I would like to turn the call over to Duos' CEO, Chuck Ferry. Sir, please proceed.

Charles Parker Ferry

CEO & Director

Welcome, everyone, and thank you for joining us. Earlier today, we issued a press release announcing our financial results for the second quarter of 2021 as well as other operational highlights. A copy of the press release is available on the Investor Relations section of our website. I encourage all of our listeners to view that release as well as our forthcoming 10-Q filing with the SEC to better understand some of the details we'll be discussing during our call.

Now let's get started. During the second quarter, we made continued progress in our ongoing transition becoming a profitable, high-growth and self-sustained business. That said, we did encounter some challenges in the form of short-term industry and operational headwinds. Within procurement, we are experiencing delays in receiving necessary components for our railcar inspection portals, including advanced cameras and high-speed servers, which are critical to our inspection portals. In response, we are taking certain steps to mitigate some of these issues such as obtaining long lead items in advance of formal notice to proceed in order to reduce the overall deployment time for technology systems.

Additionally, within our artificial intelligence business, we've made some staffing changes to our internal team to meet the demand for a more comprehensive algorithm development, which has slowed deployment times, but in the long term, we'll deploy the more advanced systems, which will be necessary to support our revenue growth.

To be clear, these challenges have impacted our financial results during the period, but are not expected to affect our long-term growth plans. We are continuing to make further investments in both infrastructure and support to reinforce our ability to meet the order flow, we're anticipating over the next few quarters and beyond. We are actively expanding our rail pipeline and have made encouraging progress in getting key contracts closer to the finish line, which we expect to materialize in the second half of the year. We are also continuing to move forward with product upgrades. We advanced testing protocols, enhanced internal communications, quality personnel onboarding and improved internal financial reporting and forecasting results.

Today marks nearly 12 months since I initially came on board in September of 2020. A lot has changed in that time. And we have a lot of things about which we can be proud, but there's still much work still to be done. Not every quarter is going to be smooth, but we remain confident that over the long term, we are on the right path.

Now before I provide further updates, I'd like to turn the call over to our CFO, Adrian Goldfarb, who will walk us through the financial results for the quarter. Adrian?

Adrian G. Goldfarb

Chief Financial Officer

Thank you, Chuck. My comments today will be broadly focused on our results for the second quarter and 6 months ended June 30, 2021. I want to remind everyone of our income statement presentation changes that we implemented at the beginning of the year. As we did in Q1, we will be presenting 2 components to revenue. Technology Systems, which caused revenue from turnkey engineered systems, such as our railcar inspection pool and Services and Consulting, which primarily records recurring revenues from maintenance and support business plus any consulting services that are undertaken. Further, we now record all costs of delivering those revenues, including all of the staffing related to those operations in production mode of associated overhead.

Now we are taking some time to revamp the AI algorithms and our overall product portfolio. Our average revenue for installation is now higher as the result of meeting the demand from our customers for increased function and capabilities and will have a positive effect on revenue going forward.

Now turning to the numbers. Total revenue for the second quarter decreased 67% to $649,000, compared to $1.98 million in the equivalent quarter in 2020. This was the aggregate of about $100,000 for Technology Systems and $548,000 in recurring revenue services. Although the decrease in total revenue was the result of a delay in receiving notices to proceed for anticipated new contracts earlier in the year, our Services business increased by over 40%, and that trend is expected to continue.

Total revenue for the 6 months ended June 30, 2021, increased 6% to $2.8 million from $2.97 million in the same period last year. The small decrease in total revenue, compared to the equivalent period in 2020, is similar to the slowdown in overall business bookings during the first 6 months of 2020, and this is due to the resurgence of COVID-19 and macroeconomic headwinds causing delays in executing new contracts, procuring components and travel restrictions. There was an increase in Services and Consulting revenues as a result of new contracts, which are mostly recurring in nature and is a positive trend.

Due to the pandemic and other macroeconomic effects, such as the current computer chip shortage, which is extending deadlines for shipment of key components used in our Technology Systems, there are uncertainties that can impact our operations. As a result, certain installations may produce revenues towards the end of the year, some of which may ultimately be recorded in 2022.

Cost of revenues for the second quarter increased 22% to $2.19 million, compared to $1.79 million in the same period last year. Cost of revenues increased for Technology Systems, which comprised of equipment, labor and overhead necessary to support the implementation of new systems, and support and maintenance of existing systems. Cost of revenues of Technology Systems decreased during the period, compared to the equivalent period in 2020, but by a smaller amount than the decrease in revenues. There was also a significant increase in costs related to the R&D and first deployment of a new undercarriage technology. Costs are expected to be much lower going forward as a percentage of the overall system price.

Cost of revenues for the 6 months ended June 30, 2021, increased 43% to $4.92 million from $3.44 million in the same period last year. The increase was driven by increased cost of deployment related to certain installations where new technologies were being deployed for the first time. Costs for Services and Consulting increased at a proportionate rate to the increase in revenues. This trend is expected to reverse in the next 6 months as certain economies of scale become evident in the second half of 2021. Overhead more than doubled for the period, reflecting higher costs for staffing, current and anticipated projects, although this rate of increase is expected to flatten in the next reporting period and for the year 2021.

Gross margin for the second quarter totaled a negative $1.54 million, compared to $187,000 in the same period last year. The decrease in gross margin was driven by a decrease in recorded revenues. As noted previously, the decrease in total revenues is due primarily to a pause in new installations in the Technology Systems part of the business. We are actively revamping operations to support an anticipated increase in the number of new systems going forward. The result in additional cost of revenues, while somewhat offset by decreases in SG&A expenses, is not yet covered by a comparable increase in revenues as of the second quarter of 2021.

Gross margin for the 6 months ended June 30, 2021, decreased to a negative $2.11 million from a negative $468,000 in the same period last year. The decrease in gross margin was mainly the result of lower revenues during the 6-month period and the proportion of costs allocated to projects being higher as a percentage against lower revenues. We anticipate an improvement in the overall gross margin for the full year reporting in 2021, with much of those improvements coming in the second half of the year.

Turning to our costs. Operating expenses for the second quarter decreased 13% to $1.41 million from $1.61 million in the same period last year. The decrease in operating expenses was driven by decreases in administration, and research and development expenses, offset by increases in sales and marketing. Operating expenses for the 6 months ended June 30, 2021, decreased 13% to $2.64 million from $3.05 million in the same period last year. The decrease in operating expenses can be attributed to decreases in administration costs, and research and development expenses, slightly offset by an increase in sales and marketing. We have taken actions to reduce certain expenses to align spending with the current slowdown in revenues due to delays in execution of existing projects.

We recorded a net loss in Q2 of $2.95 million or $0.83 per share, compared to a net loss of $1.47 million or $0.42 loss per share in the equivalent quarter in 2020. The increase in net loss was primarily attributable to the decrease in total revenue noted previously. Net loss for the 6 months ended June 30, 2021, totaled $3.36 million or $0.95 loss per share, compared to a net loss of $3.61 million or $1.16 loss per share in the same period a year ago. The improvement in the net loss was primarily attributable to the impact of the CARES Act PPP loan forgiveness and the effect of lower operating expenses during the 2021 6-month period compared to the prior year.

Let's now discuss the balance sheet. We ended the quarter with approximately $4.82 million in cash and cash equivalents, compared with $3.97 million on December 31, 2020. At the present time, we have at least 9 months of operating cash flow without recording any anticipated new business. We may close certain business during that period, where it will be prudent to raise additional working capital due to the potential size of the project, although we have no plans to do so at this time. We have a current S3 registration statement giving us the ability to raise capital in tranches of between $3 million and $5 million, if necessary, although there is no current expectation that this will be necessary as working capital in the next 12 months, due to the anticipated closing of several pending orders within the rail business.

I'd now like to provide an update on our financial projections before turning the call back over to Chuck. For the fiscal year ending December 31, 2021, the company had previously guided total revenues to be approximately $18 million. The company's guidance was based on contracts and backlog and near-term pending orders that were already performing or were scheduled to be executed by the fourth quarter of 2021. Due to certain macroeconomic effects, including the resurgent COVID-19 Delta variant as well as global supply chain issues, the company is experiencing much longer lead times for contracts to be awarded, and the associated notices to proceed, which would signal the start of the procurement and deployment process.

With procurement, the company has experienced delays in receiving necessary components including advanced cameras and high-powered servers, which are critical components to its inspection portals. The company is taking certain steps to mitigate some of these issues, such as procuring long-lead items in advance of formal notices to proceed, in order to reduce the overall deployment time for Technology Systems.

Accordingly, the company is revising its revenue guidance where the previously forecasted $18 million in revenues will be achieved by the end of the second quarter of 2022. For fiscal year 2021, uncertainty remains as to when, due to the issues described above, certain revenues can be booked in accordance with the ASC606 revenue recognition policy. At this time, the company expects to record between $8 million and $9 million of revenue for the current fiscal year, based on the current situation as currently understood. Management also expects its operations to achieve breakeven in the last quarter of 2021 with an improved cash liquidity position by year-end based on anticipated orders.

Although uncertainties continue in the macroeconomic climate, management believes that 2022 will yield a much stronger financial performance for revenue and be profitable for the fiscal year.

That concludes my financial commentary. I'll now pass the call over to Chuck.

Charles Parker Ferry

CEO & Director

Thanks, Adrian. For the remainder of my remarks today, I'd like to provide an update on our strategy and the progress we're making within our 2021 operating plan. I will then provide a brief update on our outlook, before turning it over to questions. As a reminder, our plan encompasses operational, commercial, financial and personnel specific areas.

Beginning with operations. Over the last several months, collaboration between our technical, commercial and financial teams has improved significantly. As a result, we've been able to drive a more accurate basis of estimates, improve procurement and better pricing, as Adrian noted earlier. We can make further improvements to synchronize hardware, software, IT, artificial intelligence and project management, which we'll be focused on going forward. We are committed to achieving operational and technical excellence to earn customer satisfaction, which will improve new deal closure rates. As I alluded to in my opening remarks, within our artificial intelligence business, we've had to make some difficult choices, namely an extensive staffing overhaul for our internal team to meet the demand for more comprehensive algorithm development. This turnover has slowed deployment times in the near term, but is strongly supported by our existing customers for long term.

I've asked our Chief Operating Officer, Ben Eiser, with quarterbacking this artificial intelligence effort to ensure a successful outcome. As mentioned on our last call, we are in the process of consolidating our operations and bringing all teams into a single location. We've recently signed a new lease for an office near our existing headquarters, and we'll move into our new building by the end of October. Of note, the terms are structured so that there will be no additional cash expense through the beginning of 2023. In addition to creating a more collaborative working environment, the new facility will have sufficient space for the company's anticipated expansion over the next 12 months.

Moving to commercial updates. The addition of our new Chief Commercial Officer several months ago has allowed our organization to improve its focus and leadership. Scott Carns has done a terrific job here. I am also personally spending with 70% or more of my time in this area, reviewing all proposals, contracts and strategies. Along with Board member, Ed Harris, we have collectively made good engagements into several Class IC suites as well as the federal rail administration. We are focused on materializing this work in a signed contracts over the next 12 months. To be clear, these conversations are in addition to the conversations we are already having with current customers on expansions and new deployments.

During the quarter, we received an initial order for an expansion to a multisite rip system. New order is for 2 sites and is expected to be installed later this year. In Q2, we also received an order for Automated Pantograph Inspection System, or apis, to be installed in a transit system based in Canada. Installation is expected to be completed in early 2022. The passenger transportation space is another growth of area for Duos, and we're actively in discussions with other potential customers for our solutions.

Moving to personnel. As of today, I can firmly say that the quality of our overall workforce is much improved. While our total headcount is largely the same over the past 6 months, through restructuring, we've improved the quality of our staff at a slightly higher run rate. The major restructuring is done, but some minor adjustments are still needed. On a general level, overall morale and culture has improved. Employees are comfortable bringing issues and new ideas and managers, and the commitment level to quality work is very high. We have been successful in recruiting talent based on word of mouth and relationships as well. As the adage goes, A players bring other A players.

Last month, we also appointed a new independent board member, Craig Nixon. Craig's election was approved at the company's Annual Shareholder Meeting in July. As a bit of background, Craig is a retired high-ranking military officer with extensive recent experience in technology consulting with several prominent Silicon Valley companies. The Board believes Craig's extensive military and management experience and familiarity with the technology industries make him ideally suited to help lead Duos towards excellence in operations and strategic planning. We're looking forward to benefiting from his unique insights, as we improve our technology and processing.

Finishing on our financial segment, we are continuing to improve our processes, operating with greater communication and reporting frequency. We continue to put greater emphasis on bid financials. Bids are now more comprehensive with multiple reviews and detailed financial analysis. We've also made some changes to our pricing, as Adrian commented on earlier. This is to ensure we are delivering all of the required functionalities demanded by our customers, but that we remain competitive and can ultimately achieve profitability on an ongoing basis. Although our prices are higher, our customers recognize the advanced nature of our systems, and the overall higher quality that we are delivering. This supports our internal efforts to make investments in technology enhancements to support current operations and the future growth of our business.

As Adrian stated earlier, we have revised our financial guidance for the fiscal year 2021, although longer term, we are more -- we are comfortable getting the strategic financial targets that I set when I joined the company a year ago. Looking ahead, we're continuing along the path I laid out several months ago and making necessary updates along the way. Our goal remains to become the rail industry standard for automated mechanical car inspection utilizing artificial intelligence. Furthermore with recent proposed legislation to invest in rail infrastructure, we believe the long-term tailwinds supporting automated railcar inspection to be strong. We will continue to monitor how the proposed infrastructure bill will impact changes to our industry and the federal rail administration. While with macroeconomic environment and other influencing factors have presented challenges in the near term, we remain confident in the long-term plan we've laid out to become a self-sustaining, high-growth business in the years ahead.
And with that, we're ready to open the call for your questions. Operator, please provide the appropriate instructions.

Question and Answer

Operator

[Operator Instructions] Our first question is from the line of [Bruce Boyd], a private investor.

Unknown Attendee

I was wondering if you could give us a little bit of background on the Amtrak contract that you talked about in the last conference call and any new milestones or things that you're doing to drive revenue vis-a-vis that specific contract.

Charles Parker Ferry

CEO & Director

Bruce, thanks for the question. Yes, I mean we are still working closely with Amtrak. They had asked us for some additional information. We've been providing that. There are several other vendors as well that are involved in that. And at this point right now, we've been asked to remain quiet about this from the Amtrak customer. And so we anticipate making progress on that contract here in the next few weeks and months to come. And when we're allowed to have a more detailed conversation about it from the customer, we will absolutely do that.

Operator

Our next question is from the line of Priyanka Mahajan with ThinkEquity.

Priyanka Mahajan

Please describe the new undercarriage technology?

Charles Parker Ferry

CEO & Director

Sure. Priyanka, it's good to hear from you. Yes, our new undercarriage technology, as everybody knows that it follows us, we have a -- we've been offering a vehicle undercarriage examiner, and we've had that system at some time. It's a system that basically has 3 cameras that look basically directly perpendicular up into the bottom of a particular railcar. Recently, we deployed a system called oblique vehicle undercarriage examiner or obliquevue when you see some short videos of what that system looks like on our website. But basically, it was developed earlier this year in about 90- to 120-day engineering sprint and then deployed up into 1 of our Class I customers. This new device uses a series of 10 cameras looking at now multiple oblique viewpoints and now can see an additional 25 individual inspection points up underneath the railcar.

So this device now has been in production and in operation with one of our platform railcars for rail customers for probably now almost 6 months. We've had terrific success with it. It's got higher resolution cameras on it. And we're currently in the process of using the data that's coming off those cameras now to inspect railcars, but we're also employing artificial intelligence algorithms in conjunction with that device.

Operator

[Operator Instructions] There are no further questions at this time. This concludes our question-and-answer session. I'd now like to turn the call back over to Mr. Ferry for his closing remarks.

Charles Parker Ferry

CEO & Director

Thank you, operator, and thank you, everyone, especially our shareholders that joined us on today's call. Have a good evening.

Operator

Before we conclude today's call, I would like to provide you the safe harbor statement that includes important cautions regarding forward-looking statements made during this call.

This earnings call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking terminologies such as believes, expects, may, will, should, anticipates, plans and their opposites or similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based and could cause Duos Technologies Group Inc.'s actual results to differ materially from those anticipated by the forward-looking statements.

These risks and uncertainties include, but are not limited to, those described in item 1A in Duos' annual report on Form 10-K, which is expressly incorporated herein by reference and other factors as may periodically be described in Duo's filings with the SEC.

Thank you for joining us today for Duos Technologies Group's 2021 Second Quarter Conference Call. You may now disconnect.