

March 30, 2020



Duos Technologies Group Reports Fourth Quarter and Full Year 2019 Results

Company Drives Record Quarterly and Annual Performance Supporting Return to Profitability

JACKSONVILLE, FL / ACCESSWIRE / March 30, 2020 /Duos Technologies Group, Inc. ("Duos" or the "Company") (NASDAQ:DUOT), a provider of intelligent security analytical technology solutions, reported financial results for the fourth quarter and full year ended December 31, 2019.

Fourth Quarter 2019 and Recent Operational Highlights

- Successfully listed onto the Nasdaq Capital Market and began trading under the ticker symbol "DUOT" effective February 13, 2020. In connection with the listing, Duos management rang the ceremonial Nasdaq Opening Bell on February 21, 2020.
- Also in connection with being listed on the Nasdaq, completed underwritten public offering of 1,542,188 shares of common stock at an offering price of \$6.00 per share, resulting in total gross proceeds of \$9.25 million, which includes the exercise of its over-allotment option prior to deducting underwriting discounts, commissions and offering expenses payable by the Company.
- Implemented first full-scale Rail Inspection Portal ([rip®](#)) in record time for CSX Transportation, Inc., one of the seven Class 1 Railroad operators who own and operate a combined 140,000 miles of rail track.
- Substantially completed another rip® with a different customer, which is scheduled for final acceptance at a site in Mexico within the next 60 days.
- Completed engineering and the launch of a beta test installation of a state-of-the-art, 3D version of Duos' pantograph inspection system ([apis®](#)), at a transit rail location in Chicago.
- Completed installation of an industrial portal for tank car inspection in Michigan.
- Completed next generation [centraco®](#) platform designed to provide additional security and logistics for a banking group.
- Successfully transitioned the Company's artificial intelligence (AI) models to its new, proprietary truevue360 platform.

Fourth Quarter 2019 Financial Results

It should be noted that the following Financial Results represent the consolidation of the Company with its subsidiaries Duos Technologies, Inc. and truevue360™.

Total revenue increased 125% to \$5.75 million compared to \$2.56 million in the same quarterly period. This significant increase in total revenue was partially the result of timing shifts from previous quarters and was also driven by the current strength of the projects portion of the Company's business with additional contributions from maintenance and

technical support as well as its IT asset management (ITAM) division.

Gross profit increased 176% to \$3.15 million (55% of total revenue) compared to \$1.14 million (45% of total revenue) in the same quarterly period last year. The increase in gross profit was the result of the increase in project revenues previously mentioned and the positive effect of continuing revenue increases from new projects.

Operating expenses increased 28% to \$2.52 million from \$1.98 million in the same quarterly period last year reflecting the increase in resources related to the increase in revenues for the period as well as additional resources related to the new truevue360™ AI subsidiary. The increase in operating expenses was mainly driven by selling and marketing expenses, which increased in line with the Company's investment in resources to grow the business.

Net income totaled \$592,000, an increase from net loss of \$836,000 in the same quarter a year-ago. The improvement in net income was primarily attributable to the increase in project revenues previously mentioned more than covering a planned increase in operating expenses recorded in the same period.

Full Year 2019 Financial Results

Total revenue increased 13% to \$13.64 million compared to \$12.05 million in the same period last year. The steady increase in total revenue was driven by the current strength of the projects portion of the Company's business with additional contributions from maintenance and technical support as well as its ITAM division. The maintenance and technical support revenues were driven by successful completion of projects and represent services and technical support for those installations. The expectation is that revenues from this area will continue to grow based on the success of multiple installations in 2019.

Gross profit increased 25% to \$6.48 million (48% of total revenue) compared to \$5.20 million (43% of total revenue) in the same period last year. The increase in gross profit was the result of the increase in project revenues previously mentioned and the positive effect of continuing revenue increases from new projects. The Company anticipates overall gross margins to continue to improve in the coming year driven by higher sales from both existing and new customers and certain "economies of scale" from larger projects. The increase in revenues will positively impact recurring revenue from maintenance and technical support with a resulting increase in gross margin.

Operating expenses increased 31% to \$8.89 million compared to \$6.77 million in the same period last year reflecting the increase in resources related to the increase in revenues for the period as well as additional resources related to the new truevue360™ AI subsidiary. Selling and marketing expenses increased in line with the Company's investment in resources to grow the business. The Company also increased human resources head count for the development of the new truevue360™ AI platform as well as operational costs for the new laboratory for training the machine learning systems. This rate of increase is expected to slow in 2020. Other general and administrative costs were higher as the result of additional business and non-project related travel.

Net loss totaled \$2.47 million, an increase from net loss of \$1.58 million in the same period a year-ago. The increase in net loss was primarily attributable to an increase in expenses

related to truevue360™, including software development contract staff in Europe and machine learning trainers at the Florida R&D center.

Financial Outlook

The Company has previously provided revenue guidance of \$20 million for 2020, which would represent an approximate 47% increase over the \$13.6 million recorded in 2019. The Company's guidance is based on contracts in backlog and near-term pending orders that are already performing or scheduled to be executed throughout the course of 2020.

The majority of the Company's customers, and by proxy the Company, have been identified as essential to continued infrastructure viability. Consequently, Duos' workforce is considered "essential" under the rule. Accordingly, while there is not a tangible reason to reduce revenue guidance for the year at this point, the Company cautions that because of the substantially increased global uncertainty, particularly due to the COVID-19 pandemic, revenues in the first half of the year could be substantially below those of the comparable period in 2019 due to potential delays in project execution resulting from the restrictive travel environment currently in place.

Management Commentary

"We ended the year on a high note, with a record performance in the fourth quarter driven by strong performances in each of our operating divisions," said Duos Chairman and CEO Gianni Arcaini. "Most notably, we closed agreements and completed a series of major project implementations toward the end of 2019, supporting our decision to allocate greater resources earlier in the year to meet this expected increase in demand. In Q4 we also achieved profitability thanks to the substantial gross margin increases we generated in the period. We expect to incrementally improve our fundamentals on an annual go-forward basis as we benefit from economies of scale through larger contracts as well as steady increases in recurring revenues from our maintenance and technical support division and the anticipated growth from our truevue360™ AI subsidiary.

"We began the new year with significant operating and sales momentum as well as an elevated company profile. In February we successfully raised over \$9 million to support our future growth needs for the foreseeable future and also uplisted onto the Nasdaq Capital Market. With our new listing on a national exchange, we are eager to capitalize on the opportunity to more widely spread the Duos story to a new, broader audience. At the same time, with the current global economic crisis related to COVID-19, we anticipate an intra-year impact, which would result in possible shifting of revenues from the first half into the latter quarters of 2020. Fortunately, our supply chain was not affected, and our high-value IP revenue drivers are all controlled by the Company. We have also maintained consistent communications with our clients and put a plan in place to ensure ongoing business continuity. While we still expect to generate robust double-digit growth in 2020, we are refraining from providing updated annual revenue expectations until more reliable information becomes available."

Conference Call

The Company's management will host a conference call today, Monday, March 30, 2020 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: Monday, March 30, 2020

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

U.S. dial-in: (877) 407-3088

International dial-in: +1 (201) 389-0927

Confirmation: 13700827

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](#).

About Duos Technologies Group, Inc.

Duos Technologies Group, Inc. (Nasdaq: DUOT), based in Jacksonville, Florida, through its wholly owned subsidiary, Duos Technologies, Inc., provides advanced, analytical technology solutions with a strong portfolio of intellectual property. The Company's core competencies include intelligent technologies that combine machine learning, artificial intelligence and advanced video analytics that are delivered through its proprietary integrated enterprise command and control centraco® platform. The Company provides its broad range of technology solutions with an emphasis on mission critical security, inspection and operations within the rail transportation, retail, petrochemical, government, and banking sectors. Duos Technologies also offers professional and consulting services for large data centers. For more information, visit www.duostech.com.

Forward Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking terminology such as "believes," "expects," "may," "will," "should," "anticipates," "plans," or similar expressions or the negative of these terms and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which 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 Duos' filings with the SEC.

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

	For the Year Ended	
	December 31,	
	2019	2018
REVENUES:		
Project	\$ 11,963,438	\$ 10,753,926
Maintenance and technical support	1,377,459	1,170,215
IT asset management services	300,418	124,478
Total Revenues	<u>13,641,315</u>	<u>12,048,619</u>
COST OF REVENUES:		
Project	6,510,658	6,373,684
Maintenance and technical support	528,966	409,316
IT asset management services	120,253	61,396
Total Cost of Revenues	<u>7,159,877</u>	<u>6,844,396</u>
GROSS PROFIT	<u>6,481,438</u>	<u>5,204,223</u>
OPERATING EXPENSES:		
Selling and marketing expenses	421,535	289,140
Salaries, wages and contract labor	5,570,140	4,299,799
Research and development	431,425	488,694
Professional fees	252,825	245,033
General and administrative expenses	2,212,035	1,451,461
Total Operating Expenses	<u>8,887,960</u>	<u>6,774,127</u>
LOSS FROM OPERATIONS	(2,406,522)	(1,569,904)
OTHER INCOME (EXPENSES):		
Interest Expense	(69,322)	(17,180)
Other income, net	4,962	6,197
Total Other Income (Expense)	<u>(64,360)</u>	<u>(10,983)</u>
NET LOSS	(2,470,882)	(1,580,887)
Net loss applicable to common stock	<u>\$ (2,470,882)</u>	<u>\$ (1,580,887)</u>
Basic Net Loss Per Share	<u>\$ (1.25)</u>	<u>\$ (1.06)</u>
Diluted Net Loss Per Share	<u>\$ (1.25)</u>	<u>\$ (1.06)</u>
Weighted Average Shares-Basic	<u>1,978,227</u>	<u>1,485,438</u>
Weighted Average Shares-Diluted	<u>1,978,227</u>	<u>1,485,438</u>

**DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

December 31, December 31,

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 56,249	\$ 1,209,301
Accounts receivable, net	2,611,608	1,538,793
Contract assets	1,375,920	1,208,604
Prepaid expenses and other current assets	716,598	235,198
Total Current Assets	<u>4,760,375</u>	<u>4,191,896</u>
Property and equipment, net	260,181	204,226
Operating lease right of use asset	430,146	-
OTHER ASSETS:		
Software Development Costs, net	20,000	40,000
Patents and trademarks, net	61,598	53,871
Total Other Assets	<u>81,598</u>	<u>93,871</u>
TOTAL ASSETS	<u>\$ 5,532,300</u>	<u>\$ 4,489,993</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:		
Accounts payable	\$ 2,641,437	\$ 1,416,716
Accounts payable - related parties	12,791	13,473
Notes payable - financing agreements	42,299	48,330
Notes payable - related parties, net of discounts	905,373	-
Notes payable, net of discounts	-	-
Line of credit	27,615	31,201
Payroll taxes payable	115,111	317,573
Accrued expenses	393,272	222,328
Current portion - financing lease agreements	45,072	-
Current portion-operating lease obligations	239,688	-
Contract liabilities	8,661	2,248,829
Deferred revenue	936,428	362,528
Total Current Liabilities	<u>5,367,747</u>	<u>4,660,978</u>
Finance lease payable	89,026	-
Operating lease obligations	202,797	-
Total Liabilities	<u>5,659,570</u>	<u>4,660,978</u>

Commitments and Contingencies (Note 11)

STOCKHOLDERS' EQUITY (DEFICIT):

Preferred stock: \$0.001 par value, 10,000,000 authorized, 9,485,000 shares available to be designated Series A redeemable convertible cumulative preferred stock, \$10 stated value per share, 500,000 shares designated; 0 issued and outstanding at December 31, 2019 and December 31, 2018, convertible into common stock at \$6.30 per share	-	-
Series B convertible cumulative preferred stock, \$1,000 stated value per share, 15,000 shares designated; 1,705 and 2,830 issued and outstanding at December 31, 2019 and December 31, 2018, convertible into common stock at \$0.50 per share	1,705,000	2,830,000

Common stock: \$0.001 par value; 500,000,000 shares authorized, 1,982,039 and 1,505,883 shares issued, 1,980,715 and 1,505,426 shares outstanding at December 31, 2019 and December 31, 2018, respectively	1,982	1,505
Additional paid-in capital	<u>31,063,915</u>	<u>27,416,802</u>
Total stock & paid-in-capital	32,770,897	30,248,307
Accumulated deficit	<u>(32,740,715)</u>	<u>(30,269,833)</u>
Sub-total	30,182	(21,526)
Less: Treasury stock (1,324 and 457 shares of common stock at December 31, 2019 and December 31, 2018, respectively)	<u>(157,452)</u>	<u>(149,459)</u>
Total Stockholders' Equity (Deficit)	<u>(127,270)</u>	<u>(170,985)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 5,532,300</u>	<u>\$ 4,489,993</u>

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

	For the Years Ended	
	December 31,	
	<u>2019</u>	<u>2018</u>
Cash from operating activities:		
Net loss	\$ (2,470,882)	\$ (1,580,887)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Bad debt expense	220,405	-
Depreciation and amortization	184,620	98,922
Stock based compensation	44,874	447,826
Interest expense related to debt discounts	64,652	-
Changes in assets and liabilities:	-	-
Accounts receivable	(1,293,220)	(1,240,489)
Contract assets	(167,316)	(784,811)
Prepaid expenses and other current assets	(174,202)	97,964
Operating lease right of use asset	(430,145)	-
Accounts payable	1,224,720	604,096
Related payable-related party	(682)	875
Payroll taxes payable	(202,462)	168,125
Accrued expenses	203,861	(128,948)
Operating lease obligation	442,485	-
Contract liabilities	(2,240,168)	2,048,419
Deferred revenue	<u>573,900</u>	<u>(76,379)</u>
Net cash used in operating activities	(4,019,560)	(345,287)
Cash flows from investing activities:		
Software development costs	-	(60,000)
Purchase of patents/trademarks	(13,095)	(13,285)
Purchase of fixed assets	<u>(206,480)</u>	<u>(212,393)</u>
Net cash used in investing activities	(219,575)	(285,678)
Cash flows from financing activities:		
Repurchase of common stock	(7,993)	(1,459)
Repayments of line of credit	(3,586)	(3,312)
Repayments of related party notes	(80,000)	(48,215)

Repayments of notes payable	(262,500)	
Issuance cost	(20,000)	-
Repayments of insurance and equipment financing	(266,132)	(243,566)
Payment of finance lease	(24,652)	-
Proceeds from equipment financing	102,928	-
Proceeds from notes payable-related parties	1,080,000	-
Proceeds from notes payable	250,000	-
Proceeds from warrants exercised	2,318,018	195,000
Net cash provided by (used in) financing activities	3,086,083	(101,552)
Net decrease in cash	(1,153,052)	(732,517)
Cash, beginning of period	1,209,301	1,941,818
Cash, end of period	56,249	1,209,301

Supplemental Disclosure of Cash Flow Information:

Interest paid	\$ 6,320	\$ 7,411
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Supplemental Non-Cash Investing and Financing Activities:

Common stock issued for accrued BOD fees	\$ 32,917	\$ 73,708
Common stock issued for accrued officer salary	\$ -	\$ 72,292
Note issued for financing of insurance premiums	\$ 260,103	\$ 242,239
Debt discount on Notes issued	\$ 12,500	\$ -
Note issued for equipment financing lease	\$ 55,822	\$ -
Right of Use Asset and Liability	\$ 644,245	\$ -
Relative fair value of warrant recorded as debt discount	\$ 146,779	\$ -

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