

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis ("MD&A") describes the operating and financial results of XPEL Technologies Corp., ("XPEL" or "Company") for the years ended December 31, 2014 and 2013.

The MD&A, prepared as of March 31, 2015, should be read in conjunction with the accompanying audited financial statements. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

Forward-Looking Disclaimer

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws including, among others, statements made or implied under the headings "Results of Operations", "Liquidity and Capital Resources", "Accounting Estimates", and "Risk Factors" relating to the Company's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

This MD&A contains certain forward-looking statements in respect of various matters including upcoming events that involve known and unknown risks and uncertainties that are beyond the control of Management. Those risks and uncertainties include, among other things, risks related to: share prices, liquidity, creditworthiness, currency, lease rollover, insurance, dilution, ability to access capital markets, interest rates, dependence on key personnel and environmental matters. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available; however, Management can give no assurance that actual results will be consistent with these forward-looking statements. Factors and assumptions that were applied in drawing conclusions and could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, general economic conditions, changes in interest rates, changes in governmental regulations and the Company's ability to obtain adequate insurance and financing.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Except as required by law, the Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements are made as of March 31, 2015.

Company Overview

XPEL Technologies Corp., a Nevada corporation, is a Canadian reporting issuer whose common shares began trading October 22, 2004 on the Canadian Trading and Quotation System Inc. (öCNQö) under the symbol XPEL.U and February 27, 2006 on the TSX Venture Exchange (öTSXVö) under the symbol DAP.U.

Description of the Business

The Company manufactures, sells and distributes after-market automotive products. The focus of the Company is the aftermarket for automotive paint and headlight protection products and window tint products.

The Company provides all training, equipment and product needed to operate in the Paint Protection industry and broader automotive protection space, including Paint and Headlamp Protection Film and software to access XPEL's library of protection patterns. The Company also provides pre-cut paint and headlamp protection kits to wholesale and retail customers and operates retail installation facilities.

The Company has operations in the U.S. and operates XPEL Ltd. in the United Kingdom. The Company owns 80% of XPEL Ltd., with 20% owned by shareholders of companies acquired by XPEL Ltd.

Selected Annual Information

| | Year Ended December 31, 2014 | Year Ended December 31, 2013 | Year Ended December 31, 2012 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Revenues | \$29,630,179 | \$17,898,812 | \$10,670,838 |
| Net income from continued operations before income taxes | \$2,752,642 | \$2,034,268 | \$1,077,207 |
| Net Income after taxes | \$3,070,117 | \$1,320,268 | \$1,162,207 |
| Income per share basic and diluted from continuing operations | \$.12 | \$.05 | \$.05 |
| Net income or loss (per share) | \$.12 | \$.05 | \$.05 |
| Net income or loss (fully diluted per share) | \$.12 | \$.05 | \$.05 |
| Total assets | \$12,608,177 | \$6,446,198 | \$5,395,678 |
| Total long-term financial liabilities | \$0 | \$0 | \$0 |

Summary of Quarterly Results

The financial information set out below presents the required financial information for the eight most recently completed fiscal quarters of the Company. Quarterly information below has been prepared under IFRS.

| | Quarters Ended | | | |
|--|-------------------|------------------|-----------------------|----------------------|
| | March 31, 2014 | June 30, 2014 | September 30, 2014 | December 31, 2014 |
| Revenues | \$5,271,873 | \$8,348,309 | \$8,410,089 | \$7,599,908 |
| Net Income from continuing operations before taxes | \$644,285 | \$967,229 | \$726,221 | \$415,060 |
| Net Income before taxes | \$644,285 | \$967,229 | \$726,221 | \$415,060 |
| Net Income after taxes | \$459,285 | \$595,229 | \$473,296 | \$1,542,460 |
| Net Income after taxes per share | \$.018 | \$0.023 | \$0.018 | \$.060 |
| Net Income after taxes fully diluted per share | \$.018 | \$0.023 | \$0.018 | \$.060 |

| | Quarters Ended | | | |
|--|-----------------------|------------------|-----------------------|----------------------|
| | March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 |
| Revenues | \$3,156,582 | \$4,898,729 | \$4,877,589 | \$4,965,912 |
| Net Income from continuing operations before taxes | \$400,323 | \$585,273 | \$596,895 | \$451,777 |
| Net Income before taxes | \$400,323 | \$585,273 | \$596,895 | \$451,777 |
| Net Income after taxes | \$262,324 | \$384,273 | \$392,895 | \$280,776 |
| Net Income after taxes per share | \$0.010 | \$0.015 | \$0.015 | \$0.011 |
| Net Income after taxes fully diluted per share | \$0.010 | \$0.015 | \$0.015 | \$0.011 |

Results of Operations

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Revenues. Revenues increased from \$17,898,812 to \$29,630,179, or 66% between periods. The increase in revenues is primarily a result of increases in XPEL Protection Film sales.

Direct Costs. Direct Costs of sales increased \$8,220,148 between periods and remained constant as a percentage of revenues 68%. Direct costs include the costs of our physical goods, the costs related to our Design Access Program software, and the costs of labor directly associated with the production of product.

Expenses. General and administrative expenses increased 75% to \$6,464,660 from \$3,702,819 in 2013.

Net income. The Company had net income before taxes of \$2,752,642 for the year ended December 31, 2014 as compared to net income before taxes of \$2,034,268 for the year ended December 31, 2013. The Company had net income of \$3,070,117 and net income attributable to equity holders of the company of \$3,097,102 for the year ended December 31, 2014 as compared to net income of \$1,320,268 for the year ended December 31, 2013.

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

Revenues. Revenues increased from \$10,670,838 to \$17,898,812, or 68% between periods. The increase in revenues is primarily a result of increases in XPEL Protection Film sales.

Direct Costs. Direct Costs of sales increased \$5,116,861 between periods and increased as a percentage of revenues from 66% to 68%. Direct costs include the costs of our physical goods, the costs related to our Design Access Program software, and the costs of labor directly associated with the production of product.

Expenses. General and administrative expenses increased 45% to \$3,702,819 from \$2,560,836 in 2012.

Net income. The Company had net income before taxes of \$2,034,268 for the year ended December 31, 2013 as compared to net income before taxes of \$1,077,207 for the year ended December 31, 2012. The Company had net income of \$1,320,268 for the year ended December 31, 2013 as compared to net income of \$1,162,207 for the year ended December 31, 2012.

Quarter Ended December 31, 2014 compared to the Quarter Ended December 31, 2013

Revenues. Revenues increased from \$4,965,912 to \$7,599,908, or 53% between periods. The increase in revenues is primarily a result of increases in XPEL Protection Film sales.

Direct Costs. Direct Costs of sales increased \$1,838,737 between periods and increased as a percentage of revenues from 68% to 69%. Direct costs include the costs of our physical goods, the costs related to our Design Access Program software, and the costs of labor directly associated with the production of product.

Expenses. General and administrative expenses increased 73% to \$1,939,475 from \$1,121,259 in 2013.

Net income. The Company had net income before taxes of \$415,060 for the quarter ended December 31, 2014 as compared to net income before taxes of \$451,776 for the quarter ended December 31, 2013.

Liquidity and Capital Resources

Cash flows provided by operating activities during the year ended December 31, 2014 were approximately \$599,651. The cash flows provided by operations result from operating earnings of \$3,070,117 with the addition of non-cash items of \$80,358 and reduced by working capital changes of \$2,550,824.

Cash flows used in investing activities during the year ended December 31, 2014 were \$1,418,629 due to the purchase of property, plant and equipment of \$369,077, the acquisition of intangible assets of \$555,658, and cash used in the acquisition of subsidiaries of \$493,894.

Cash flows provided by financing activities during the period were \$878,195 with \$900,000 as proceeds from the line of credit and decreased \$21,805 for the repayment of notes payable.

The Company's net operating, investing and financing activities during the year ended December 31, 2014 increased cash by \$59,217.

Commitments & Related Party Transactions

At December 31, 2014, the Company had lease agreements for its current premises totalling approximately \$255,219 for 2015 and approximately \$673,322 in the four subsequent years.

A total of \$661,984 (2013 - \$583,539) in salaries and other short-term benefits were earned by key members of management as compensation, of which \$620,758 (2013 - \$543,997) is included as part of selling, general and administrative expense and \$41,226 (2013 - \$39,542) was capitalized into deferred development costs for design templates.

There were no related party transactions during 2014.

Disclosure Controls

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining its disclosure controls and procedures.

The CEO and CFO have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that the material information relating to the Company would have been known to them.

Share Capital

The Company is authorized to issue up to 100,000,000 common shares and 10,000,000 preferred shares. At December 31, 2014, the Company has issued 25,784,950 common shares of common stock and no preferred shares. As of the date of this filing, the Company has issued 25,784,950 common shares of common stock and no preferred shares.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial and Other Instruments

The Company has not made use of any hedging or other financial instruments, and is not exposed to significant interest rate nor credit risks.

Accounting Estimates

The Company did not rely on any critical accounting estimates in the year ended December 31, 2014.

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant estimates made by the Company include allowances for potentially uncollectable accounts receivable, useful life of property, plant and equipment and intangibles, measurement of warranty provision, recognition of deferred tax assets, valuation of property, plant and equipment and intangible assets for impairment, and fair value of financial instruments.

Recent Accounting Pronouncements Issued and Not Yet Applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- (a) IFRS 9 Financial Instruments was issued by the IASB on July 24, 2014 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets and liabilities. This amendment completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of this interpretation on its consolidated financial statements.

Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Fair Value

The carrying values of accounts receivable, accounts payable and accrued liabilities, approximate fair value due to the relatively short-term maturities of these instruments.

Credit Risk

The Company is subject to risk of non-payment of accounts receivable. The Company mitigates this risk by monitoring the credit worthiness of its customers.

Interest Rate Risk

The Company has cash and cash equivalents. The Company's current policy is to invest excess cash in money market accounts issued by credit worthy banking institutions. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates and its bank operating facility incurs interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations.

Currency Risk

Certain of the Company's monetary liabilities are denominated in Canadian dollars and British pound sterling and are therefore subject to gains and losses due to fluctuations in these currencies.

Additional Financing

Our ability to continue to maintain operating profitability and growth is dependent upon our ability to generate sufficient cash flows to meet our obligations on a timely basis and our ability to secure long-term financing as required. Additional financing may be required to develop the Company's products and services.

Liquidity

While the Company has some available credit, there is no guarantee that the Company will continue to have adequate credit facilities to finance desired inventory levels. While it is incumbent upon the Company to continue to seek additional credit to increase liquidity, the inability to secure additional credit may result in lost sales and inhibit growth.

Additional Risk Factors

There are various risks associated with investing in the business of the Company including those described below that should be considered in conjunction with the other information included in this MD&A. There may be additional risks and uncertainties in addition to those listed below, including those that are unknown to the Company at this time or believed by the Company to be unimportant at this time that could, in the future, have a material adverse effect on the business, financial condition or results of operations of the Company.

Market Penetration

There can be no assurance that the Company can generate sufficient interest in its products to permit the Company to achieve its required level of market penetration. There are many products competing for the consumer's aftermarket products dollars and the Company may not be able to make its products a priority for consumers.

Demand for Company's Products

There can be no assurance that the Company will be able to maintain or increase demand for its products. Any significant shortfall of demand in relation to expectation for the Company's products would have an adverse impact on the Company.

Economic

Sales

The Company's sales are partially tied to the success of the automotive industry, specifically new car sales. While new car sales have recovered off their low during the recession, there is no guarantee current sales levels will continue. A decline in new car sales globally could negatively impact the Company's performance.

Currency

The Company usually sells to its international distributors in U.S. Dollars. Currently, the U.S. Dollar has reached record strength against many currencies common to the Company's international distributors. A strong U.S. Dollar increases the cost to the distributor of the Company's products in their local currency, which will either reduce the distributor's margin or require an increase in selling price to offset the higher costs. A distributor may be unwilling to accept a reduced gross margin or the distributor's customers may be unwilling to accept a higher sales price, either of which might result in reduced demand for the Company's products. Alternatively, the Company could choose to reduce prices to international distributors affected by the strong U.S. Dollar, which would result in a reduction of gross margin for sales to those customers.

Competition

The Company is experiencing competition for its products. The Company continues to see new entrants in to the paint protection market and increased emphasis on the paint protection film marketplace from existing competitors. The Company believes it has significant competitive advantages through its database of products, proprietary product distribution software, training curriculum and facilities, and established sales channels; however the Company must continually upgrade and improve its products, or develop new products. The Company will be negatively affected if other products similar to those of the Company with similar or superior features at lower prices become available.

Vulnerability to Substitutes

The Company's products, once installed, are generally virtually invisible and without branding, allowing for substitution and bait-and-switch tactics by the installer base unbeknownst to the consumer. This could create a false negative perception of the Company's products if the substitutes are inferior in quality or reduce the return on the Company's sales and marketing activities if the quality is acceptable.

The Company's revenue is derived primarily from the sale of automotive paint protection film. Should alternative technologies provide suitable paint protection in another manner, or should automotive paint technology improve in a material fashion so as to not need protection, the market for the Company's products may diminish.

Reliance on Suppliers

The Company is dependent on its suppliers and partners, their knowledge, ability and equipment to continue to manufacture its paint protection film at sufficient quantities and of acceptable quality. The manufacture of paint protection film requires the use of equipment and facilities and other supply chain elements that are highly specialized and not widely available. As the Company's products advance technologically, the Company is increasingly more reliant on these suppliers and partners and their specialized technology. Any disruption to these facilities, relationships or to the supply chain could adversely affect the Company's ability to produce product. Suitable alternatives for the Company's suppliers, partners, production facilities or other supply chain elements may not exist or may not be available to the Company. Any disruption in the source of supplies, internally or externally, could adversely affect the Company's business.

Key Personnel

The Company is currently heavily reliant on the experience and expertise of its senior management. If any of these should cease to be available to manage the affairs of the Company, its activities and operations could be adversely affected. In addition, the Company may require additional management employees to develop its business.

Challenge to Profitability

The Company has produced an operating profit since 2009. Prior to 2009, the Company produced consistent losses. The Company anticipates continued profitability; however, market opportunities may produce circumstances in the future where profitability is challenged or intentionally reduced to increase sales.

Fluctuations in its Quarterly Results

The Company may experience fluctuations in its quarterly operating results due to a number of factors, including the level of the Company's expenses, the degree to which the Company encounters competition in its markets, seasonality factors of the automotive aftermarket industry and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Dividends

The Company does not anticipate paying dividends in the foreseeable future.

Additional Information

Additional information relating to the Company may be accessed on the Internet at www.sedar.com.

Cautionary Note

Some of the statements contained in this report are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.