

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 three and nine months ended September 30, 2014 and 2013.

The MD&A, prepared as of November 25, 2014, should be read in conjunction with the accompanying condensed unaudited financial statements. These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

These condensed unaudited interim financial statements should be read in conjunction with our 2013 annual financial statements prepared in accordance with IFRS.

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, the availability of new competitive supply of commercial real estate, the Company's ability to maintain occupancy, 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 November 25, 2014.

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. ("CNQ") under the symbol XPEL.U and February 27, 2006 on the TSX Venture Exchange ("TSXV") 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 facility.

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.

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			
	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014
Revenues	\$4,965,912	\$5,271,873	\$8,348,309	\$8,410,089
Net Income from continuing operations before taxes	\$451,777	\$644,285	\$967,229	\$726,221
Net Income before taxes	\$451,777	\$644,285	\$967,229	\$726,221
Net Income after taxes	\$280,777	\$459,285	\$595,229	\$473,296
Net Income after taxes per share	\$0.010	\$0.018	\$0.023	\$0.018
Net Income after taxes fully diluted per share	\$0.010	\$0.018	\$0.023	\$0.018

	Quarters Ended			
	December 31, 2012	March 31, 2013	June 30, 2013	September 30, 2013
Revenues	\$3,014,596	\$3,156,582	\$4,898,729	\$4,877,589
Net Income from continuing operations before taxes	\$275,192	\$400,323	\$585,273	\$596,895
Net Income before taxes	\$275,192	\$400,323	\$585,273	\$596,895
Net Income after taxes	\$275,192	\$262,323	\$384,273	\$392,895
Net Income after taxes per share	\$0.011	\$0.010	\$0.015	\$0.015
Net Income after taxes fully diluted per share	\$0.011	\$0.010	\$0.015	\$0.015

Results of Operations

Quarter Ended September 30, 2014 compared to the Quarter Ended September 30, 2013

Revenues. Revenues increased from \$4,877,589 to \$8,410,089, or 72% between periods. The increase in revenues is primarily a result of increases in XPEL Protection Film sales.

Direct Costs. Direct Costs of sales increased \$2,509,236 between periods and increased as a percentage of revenues from 67% 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 87% to \$1,897,277 from \$1,016,634 in 2013. This increase is inclusive of one-time acquisition related expenses of approximately \$84,000 and other one-time expenses of approximately \$130,000.

Net income. The Company had net income before taxes of \$726,221 for the quarter ended September 30, 2014 as compared to net income before taxes of \$596,895 for the quarter ended September 30, 2013. The Company had net income of \$473,296 for the quarter ended September 30, 2014 as compared to net income of \$392,895 for the quarter ended September 30, 2013.

Nine Months Ended September 30, 2014 compared to the Nine Months Ended September 30, 2013

Revenues. Revenues increased from \$12,932,900 to \$22,030,271, or 70% between periods. The increase in revenues is primarily a result of increases in XPEL Protection Film sales.

Direct Costs. Direct Costs of sales increased \$6,381,411 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 75% to \$4,525,185 from \$2,581,560 in 2013.

Net income. The Company had net income before taxes of \$2,337,582 for the nine months ended September 30, 2014 as compared to net income before taxes of \$1,582,492 for the nine months ended September 30, 2013. The Company had net income of \$1,527,657 for the nine months ended September 30, 2014 as compared to net income of \$1,039,492 for the nine months ended September 30, 2013.

Liquidity and Capital Resources

Cash flows provided by operating activities during the nine months ended September 30, 2014 were approximately \$76,311. The cash flows provided by operations result from operating earnings of \$1,527,657 with the addition of non-cash items of \$362,335 and reduced by working capital changes of \$1,813,681.

Cash flows used in investing activities during the nine months ended September 30, 2014 were \$1,229,502 due to the purchase of property, plant and equipment of \$350,198, the purchase of subsidiaries of \$493,894, and the acquisition of intangible assets of \$385,410.

Cash flows provided by financing activities during the period were \$1,828,745 of cash including cash of \$1,800,000 provided by the bank operating facility, proceeds from notes payable of \$40,873 and decreased by \$12,128 for the repayment of long-term debt. The Company's net operating, investing and financing activities during the nine months ended September 30, 2014 increased cash by \$675,554.

Commitments & Related Party Transactions

At September 30, 2014, the Company had lease agreements for its current premises. The commitments total approximately \$208,067 for the next 12 months and approximately \$669,515 over the remaining terms.

There were no related party transactions during the third quarter of 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 September 30, 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 three and nine months ended September 30, 2014.

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the allowances for potentially uncollectible accounts receivable, useful life of property, plant and equipment and intangibles, valuation of warranty provision, measurement of share-based compensation, impairment of property, plant and equipment and intangibles, provisions and contingencies and deferred income taxes.

Changes in accounting policies

The Company adopted the following accounting standards on January 1, 2014. There has been no impact to the financial statements due to these adoptions.

(a) IFRS 13 Fair Value Measurement (IFRS 13) defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments will be extended by IFRS 13 to cover all assets and liabilities within its scope.

(b) IAS 1 Presentation of Financial Statements was amended whereby items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged.

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, 2012 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 in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements relating to Hedge Accounting, representing a new hedge accounting model, have been added to IFRS 9 in November 2013. IFRS 9 is available for early adoption, and will be effective date for annual periods beginning on or after January 1, 2018.

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 this currency.

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

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.

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 and Reliance on Suppliers

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.