

XPEL Reports First Quarter Revenue of \$24.7 Million; Gross Margin Improves to 33%

San Antonio, TX – May 30, 2019 – XPEL, Inc. (TSXV: DAP.U), a global provider of protective films and coatings, announced results for the quarter ended March 31, 2019.

Highlights for the quarter include:

- 36% growth in US region; strong growth in United Kingdom and Asia Pacific
- Gross margin improvement to 33% from 30% in first quarter last year
- Pending SEC Registration and Nasdaq listing remains on track

Ryan Pape, President and Chief Executive Officer of XPEL, commented, “During the first quarter we saw continued strong growth in key regions, particularly the US, where revenue increased 36% as compared to the first quarter 2018. As expected, sales to China declined significantly during the first quarter due mainly to acceleration of sales into China during the first half of last year. On the product front, we launched our XPEL FUSION PLUS ceramic coating during the quarter, a natural extension of our product line that offers a self-cleaning, hydrophobic coating that’s complementary to the rest of our product offering. We’re excited about the interest we’re seeing in the product and in its potential to provide additional revenue opportunities to our installer network.”

The Company filed Amendment No. 2 to Form 10 with the U.S. Securities and Exchange Commission which includes results for the quarter ended March 31, 2019.

For the Quarter Ended March 31, 2019:

Revenues. Revenues decreased approximately \$0.4 million or 1.6% to \$24.7 million as compared to \$25.1 million in the prior year.

Gross Margin. Gross margin was 33.0% versus 30.3% in the first quarter of 2018. The increase was related to an improved mix of increased sales to higher margin customers.

Expenses. Selling, general and administrative expenses increased to \$5.7 million or 22.9% of sales as compared to \$4.8 million or 19.2% of sales in the prior year period. This increase was due mainly to increases in personnel, occupancy, information technology and research and development costs to support the ongoing growth of the business.

EBITDA. EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) of \$2.8 million decreased as compared to \$3.1 million in the prior year¹.

Net income. Net income decreased slightly to \$1.9 million, or \$0.07 per basic and diluted share versus net income of \$2.1 million, or \$0.08 per basic and diluted share in the first quarter of 2018.

Mr. Pape continued, “We are continuing to build our brand recognition in all of our regions. We remain optimistic about the long-term opportunity in China and continue to focus on adjusting our product assortment and marketing efforts to keep pace with the evolving needs of our customers there and in all the markets we serve.

¹ See reconciliation of non-GAAP financial measures below.

“As we move through 2019 we’re focused on continuing gross margin improvement, broadening our international presence, enhancing XPEL’s global brand recognition, furthering our channel acquisition strategy and expanding our non-automotive product portfolio. We’re encouraged by the strong interest we’re seeing for our products worldwide and believe the market recognition for our diverse, high quality portfolio of products and ancillary services is growing every day.

Conference Call Information

The Company will host a conference call to discuss the first quarter results today, May 30, 2019, at 11:00 a.m. Eastern Time.

To access the live webcast, please visit the XPEL, Inc. website at www.xpel.com/investor.

To participate in the call by phone, dial (877) 407-8033 approximately five minutes prior to the scheduled start time. International callers please dial (201) 689-8033.

A replay of the teleconference will be available until June 30, 2019 and may be accessed by dialing (877) 481-4010. International callers may dial (919) 882-2331. Callers should use conference ID: 49192.

About XPEL, Inc.

XPEL is a leading provider of protective films and coatings, including automotive paint protection film, surface protection film, automotive and architectural window films and ceramic coatings. With a global footprint, a network of trained installers and proprietary DAP software, XPEL is dedicated to exceeding customer expectations by providing high-quality products, leading customer service, expert technical support and world-class training. XPEL, Inc. (TSXV: DAP.U) is publicly traded on the TSXV Exchange.

Safe harbor statement

This release includes forward-looking statements regarding XPEL, Inc. and its business, which may include, but is not limited to, anticipated use of proceeds from capital transactions, expansion into new markets, and execution of the company's growth strategy. Often, but not always, forward-looking statements can be identified by the use of words such as "plans," "is expected," "expects," "scheduled," "intends," "contemplates," "anticipates," "believes," "proposes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved. Such statements are based on the current expectations of the management of XPEL. The forward-looking events and circumstances discussed in this release may not occur by certain specified dates or at all and could differ materially as a result of known and unknown risk factors and uncertainties affecting the company, performance and acceptance of the company's products, economic factors, competition, the equity markets generally and many other factors beyond the control of XPEL. Although XPEL has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. No forward-looking statement can be guaranteed. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and XPEL undertakes no obligation to publicly update or

revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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XPEL, INC.

Condensed Consolidated Statements of Income (Unaudited)

	Three months ended March 31,	
	2019	2018
Revenue		
Product revenue	\$ 21,054,723	\$ 22,094,242
Service revenue	3,670,723	3,027,278
Total revenue	24,725,446	25,121,520
Cost of Sales		
Cost of product sales	15,688,033	16,849,836
Cost of service	887,333	666,539
Total cost of sales	16,575,366	17,516,375
Gross Margin	8,150,080	7,605,145
Operating Expenses		
Sales and marketing	1,599,106	1,620,510
General and administrative	4,065,529	3,211,187
Total operating expenses	5,664,635	4,831,697
Operating Income	2,485,445	2,773,448
Interest expense	28,706	56,954
Loss on sale of property, plant and equipment	12,422	—
Foreign exchange loss (gain)	18,426	(33,381)
Income before income taxes	2,425,891	2,749,875
Income tax expense	565,888	661,062
Net income	1,860,003	2,088,813
Income (loss) attributed to non-controlling interest	1,416	(8,545)
Net income attributable to stockholders of the Company	\$ 1,858,587	\$ 2,097,358
Earnings per share attributable stockholders of the Company		
Basic and diluted	\$ 0.07	\$ 0.08
Weighted Average Number of Common Shares		
Basic and diluted	27,612,597	27,612,597

XPEL, INC.

Condensed Consolidated Balance Sheets

	(Unaudited)	(Audited)
	March 31, 2019	December 31, 2018
Assets		
Current		
Cash and cash equivalents	\$ 4,376,325	\$ 3,971,226
Accounts receivable, net	5,948,048	5,554,313
Inventory, net	13,586,897	10,799,611
Prepaid expenses and other current assets	976,605	706,718
Total current assets	24,887,875	21,031,868
Property and equipment, net	3,561,133	3,384,206
Right-of-Use lease assets	4,145,789	—
Intangible assets, net	3,674,924	3,804,026
Other assets	37,452	—
Goodwill	2,320,384	2,322,788
Total assets	\$ 38,627,557	\$ 30,542,888
Liabilities		
Current		
Current portion of notes payable	836,133	853,150
Current portion lease liabilities	1,020,554	—
Accounts payable and accrued liabilities	8,462,688	6,292,093
Income tax payable	1,253,153	1,337,599
Total current liabilities	11,572,528	8,482,842
Deferred tax liability, net	450,899	478,864
Noncurrent portion of lease liabilities	3,218,052	—
Notes payable	833,872	968,237
Total liabilities	16,075,351	9,929,943
Stockholders' equity		
Preferred stock, \$0.001 par value; authorized 10,000,000; none issued and outstanding	—	—
Common stock, \$0.001 par value; 100,000,000 shares authorized; 27,612,597 and 27,612,597 issued and outstanding, respectively	27,613	27,613
Additional paid-in-capital	11,348,163	11,348,163
Accumulated other comprehensive loss	(1,115,605)	(1,190,055)
Retained earnings	12,475,840	10,617,253
	22,736,011	20,802,974
Non-controlling interest	(183,805)	(190,029)
Total stockholders' equity	22,552,206	20,612,945
Total liabilities and stockholders' equity	\$ 38,627,557	\$ 30,542,888

Reconciliation of Non-GAAP Financial Measure

EBITDA is a non-GAAP financial measure. EBITDA is defined as net income (loss) plus interest expense, net, plus income tax expense plus depreciation expense and amortization expense. EBITDA should be considered in addition to, not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. It is not a measurement of our financial performance under GAAP and should not be considered as alternatives to revenue or net income (loss), as applicable, or any other performance measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other businesses. EBITDA has limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our operating results as reported under GAAP.

EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of ongoing operations and other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

EBITDA Reconciliation

	(Unaudited) Three Months Ended March 31, 2019	(Unaudited) Three Months Ended March 31, 2018
Net Income	\$ 1,860,003	\$ 2,088,813
Interest	28,706	56,954
Taxes	565,888	661,062
Depreciation	200,818	159,318
Amortization	184,548	136,637
EBITDA	<u>\$ 2,839,963</u>	<u>\$ 3,102,784</u>