

XPEL Reports Record Second Quarter Revenue Growth of 69.3% to \$28.9 Million and EPS of \$0.09

San Antonio, TX – August 29, 2018 – XPEL, Inc. (TSXV: DAP.U), a leading supplier of automotive paint protection and window films, announced results for the second quarter and six months ended June 30, 2018.

Second Quarter Highlights:

- Revenues increased 69.3% to \$28.9 million compared to second quarter 2017; Sequential revenue growth of 14.7% compared to first quarter of 2018
- Gross margin improved to 29.8% compared to 27.1% in second quarter 2017
- Selling, general and administrative expenses decreased to 17.9% as a percentage of revenue
- Earnings per share of \$0.09 compared to \$0.027 per share in second quarter 2017

Revenues for the quarter grew 69.3% to \$28.9 million. Gross profit as a percentage of sales was 29.8% as compared to 27.1% in the prior year quarter. Selling, general and administrative expenses increased to \$5.2 million, or 17.9% of revenue, as compared to \$3.4 million, or 19.8% of revenue, in the prior year quarter. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased \$2.2 million to \$3.8 million compared to \$1.6 million in the prior year quarter. Net income was \$2.5 million or \$0.09 per basic and diluted share, compared to net income of \$0.7 million or \$0.027 per basic and diluted share in the prior year quarter.

Mr. Ryan Pape, President and Chief Executive Officer of XPEL, commented, “Building on the momentum of our tremendous first quarter results, XPEL delivered its second consecutive quarter of record revenues, enhanced gross margins and significantly improved profitability. We are seeing strong demand for our product lines across all of our operating regions with particular strength from our paint protection film line, where we saw revenue growth of 78%. Likewise, our China business continues to show robust growth, contributing 32% of total revenue in the quarter. We’re pleased to have achieved continued gross margin improvement, directly related to the positive impact of the production efficiencies and margin enhancement initiatives we undertook during the third and fourth quarters of 2017.

“This is an exciting time for our Company as we focus on meeting the increasing demand for our products and services and also concentrate on exceeding the expectations of customers worldwide. XPEL brand recognition is growing exponentially and we remain intent on capturing new customers and driving market share growth both domestically and internationally,” Mr. Pape concluded.

For the Quarter Ended June 30, 2018:

Revenues. Revenues increased approximately \$11.8 million to \$28.9 million, or 69.3% over the prior year period.

Gross Margin. Gross margin increased to 29.8% from 27.1%, primarily attributable to price increases across certain product lines, production efficiencies related to margin enhancement initiatives put in place in the third and fourth quarters of 2017, and reductions in warranty costs.

Expenses. Selling, general and administrative expenses increased \$1.8 million or 53.4% versus prior year period but decreased as a percentage of sales to 17.9% of sales from 19.8% of sales in the prior year. This increase was due mainly to increases in personnel, occupancy, sales and marketing, and information technology related costs to support the ongoing growth of the business.

EBITDA. EBITDA increased \$2.2 million to \$3.8 million versus prior year quarter.

Net income. Net income for the quarter increased to \$2.5 million versus net income \$0.7 million in the prior year quarter.

For the Six Months Ended June 30, 2018:

Revenues. Revenues increased approximately \$24.4 million or 82.2% to \$54.1 million as compared to \$29.7 million in the prior year period.

Gross Margin. Gross margin was 29.8% versus 26.8% in the same period of 2017. The increase is related to operational improvements as described above.

Expenses. Selling, general and administrative expenses increased \$3.4 million or 50.7% versus prior year period but decreased as a percentage of sales to 18.6% of sales from 22.4% of sales in the prior year. This increase was due mainly to increases in personnel, occupancy, sales and marketing and information technology related costs to support the ongoing growth of the business.

EBITDA. EBITDA increased \$4.8 million to \$6.9 million versus \$2.1 million in the prior year period.

Net income. Net income for the first six months increased to \$4.5 million versus net income of \$0.7 million in the same prior year period.

Conference Call Information

The Company will host a conference call to discuss the second quarter results today, August 29, 2018, 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 September 29, 2018 and may be accessed by dialing (877) 481-4010. International callers may dial (919) 882-2331. Callers should use conference ID: 35200.

About XPEL, Inc.

XPEL leads the industry in designing, manufacturing and distributing high-performance automotive paint and headlamp protection film technologies. Using XPEL's proprietary software and materials, our professional design team develops products that deliver the ultimate in vehicle protection, meeting the demands of a broad range of makes and models. With more than 70,000 vehicle-specific applications and a global network of trained installers, XPEL is dedicated to exceeding customer expectations in providing high-quality products, customer service and technical support. XPEL, Inc. (TSXV: DAP.U) is publicly traded on the TSXV Exchange. Visit www.xpel.com for more information.

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.
Consolidated Statements of Income and Comprehensive Income
(Expressed in United States Dollars)
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue	\$ 28,864,686	\$ 17,048,492	\$ 54,063,440	\$ 29,678,959
Expenses				
Direct costs	20,267,886	12,431,152	37,973,013	21,728,861
Selling, general and administrative	<u>5,167,633</u>	<u>3,368,663</u>	<u>10,059,771</u>	<u>6,673,382</u>
Income from operations	3,429,167	1,248,677	6,030,656	1,276,716
Interest expense	50,184	59,873	107,781	108,054
(Loss) Gain on sale of property, plant and equipment	35,986	(7,251)	35,986	(7,251)
Foreign exchange loss (gain)	<u>29,458</u>	<u>(22,137)</u>	<u>(42,677)</u>	<u>(15,745)</u>
	<u>115,628</u>	<u>30,485</u>	<u>101,090</u>	<u>85,058</u>
Net income before income taxes	3,313,539	1,218,192	5,929,566	1,191,658
Deferred income tax recovery	(81,978)	(112,966)	(106,184)	(135,805)
Current income tax expense	<u>901,909</u>	<u>581,053</u>	<u>1,525,570</u>	<u>642,206</u>
	<u>819,931</u>	<u>468,087</u>	<u>1,419,386</u>	<u>506,401</u>
Net income	\$ 2,493,608	\$ 750,105	\$ 4,510,180	\$ 685,257
Items that may be reclassified to profit or loss:				
Cumulative differences on translation foreign operations	164,245	(403,168)	(421)	(568,789)
Total comprehensive income (loss)	<u>\$ 2,657,853</u>	<u>\$ 346,937</u>	<u>\$ 4,509,759</u>	<u>\$ 116,468</u>
Net income attributable to:				
Shareholders of the Company	\$ 2,495,577	755,787	4,520,951	701,783
Non-controlling interest	<u>(1,969)</u>	<u>(5,682)</u>	<u>(10,771)</u>	<u>(16,526)</u>
Net income	\$ 2,493,608	\$ 750,105	\$ 4,510,180	\$ 685,257
Total comprehensive (loss) income attributable to:				
Shareholders of the Company	\$ 2,659,822	\$ 352,619	\$ 4,520,530	\$ 132,994
Non-controlling interest	<u>(1,969)</u>	<u>(5,682)</u>	<u>(10,771)</u>	<u>(16,526)</u>
Total comprehensive income	\$ 2,657,853	\$ 346,937	\$ 4,509,759	\$ 116,468
Earnings per share attributable to owners of the parent				
Basic and diluted	\$ 0.090	\$ 0.027	\$ 0.163	\$ 0.025
Weighted average number of common shares				
Basic and diluted	27,612,597	27,612,597	27,612,597	27,038,281

XPEL, Inc.
Consolidated Balance Sheet
(Expressed in United States Dollars)
(Unaudited)

	June 30, 2018	December 31, 2017
Assets		
Current		
Cash and cash equivalents	\$ 1,527,235	\$ 3,498,904
Accounts receivable	7,171,653	5,569,212
Inventory	11,728,952	10,151,594
Prepaid expenses and other current assets	984,751	689,890
Total current assets	<u>21,412,591</u>	<u>19,909,600</u>
Property, plant and equipment	2,329,039	2,153,233
Intangible assets	3,972,465	4,114,374
Deferred tax asset	459,932	378,014
Goodwill	2,479,874	2,490,105
Total assets	<u>\$ 30,653,901</u>	<u>\$ 29,045,326</u>
Liabilities		
Current		
Revolving line of credit	-	2,000,000
Accounts payable and accrued liabilities	9,368,070	9,519,649
Income tax payable	679,425	1,126,865
Current portion of bank loan payable	148,094	440,126
Current portion of notes payable – acquisitions	648,212	624,308
Total current liabilities	<u>10,843,801</u>	<u>13,710,948</u>
Deferred tax liability	442,944	463,140
Notes payable – acquisitions	1,004,652	1,018,493
Total liabilities	<u>12,291,397</u>	<u>15,192,581</u>
Equity		
Capital stock	9,210,646	9,210,646
Contributed surplus	2,165,130	2,165,130
Accumulated other comprehensive loss	(984,702)	(984,281)
Retained Earnings	8,090,381	3,569,430
	<u>18,481,455</u>	<u>13,960,925</u>
Non-controlling interest	(118,951)	(108,180)
Total liabilities and equity	<u>\$ 30,653,901</u>	<u>\$ 29,045,326</u>

Non-IFRS Measures

In addition to disclosing results in accordance with IFRS as issued by IASB, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance.

Management uses EBITDA as a measure of company-wide performance. EBITDA is defined as earnings before interest, taxes, depreciation, and amortization. Management believes EBITDA is a useful measure to allow period-to-period comparison of the Company's operating performance. EBITDA does not have a standardized meaning under IFRS and is not necessarily comparable to measures presented by other Companies. EBITDA excludes components that are significant in understanding and assessing our results of operations and cash flows. EBITDA does not represent funds available for Management's discretionary use and is not intended to represent cash flow from operations. EBITDA should not be considered a substitute for Net Income prepared in accordance with IFRS as issued by the IASB.

EBITDA Reconciliation

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net (loss) income	2,493,608	750,105	4,510,180	685,257
Interest	50,184	59,873	107,781	108,054
Taxes	819,931	468,087	1,419,386	506,401
Depreciation	179,549	169,239	338,867	336,745
Amortization	300,504	234,378	560,450	466,133
EBITDA	3,843,776	1,681,682	6,936,664	2,102,590