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, 2015 and 2014.

The MD&A, prepared as of November 30, 2015, should be read in conjunction with the accompanying condensed consolidated unaudited financial statements. These condensed consolidated 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 consolidated unaudited interim financial statements should be read in conjunction with our 2014 annual financial statements prepared in accordance with IFRS.

Non-IFRS Measures

In addition to disclosing results in accordance with IFRS as issued by FASB, 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 FASB.

Constant Currency

The Company reports results in U.S. Dollars, but does business on a global basis. Exchange rate fluctuations affect the U.S. Dollar value for foreign currency revenue and expenses and may have a significant effect on reported results. Comparisons are made to the prior year in constant currency terms, which Management believes is helpful in understanding the Company's performance. Constant currency is calculated by converting current period results using the prior year currency exchange rates.

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 November 30, 2015.

Company Overview

XPEL Technologies Corp. ("XPEL"), a Nevada corporation, based in San Antonio, Texas, USA is a Canadian reporting issuer whose common shares trade on the TSX Venture Exchange ("TSXV") under the symbol DAP.U.

The Company manufactures, sells and distributes, and installs after-market automotive products, including automotive paint protection film, headlight protection film, automotive window films and other related products.

In the United States, Canada and parts of Europe, the Company operates primarily by selling a complete turn-key solution directly to independent installers and new car dealerships which includes XPEL Protection Films, installation training, access to the Company's DAP Software, marketing support and lead generation.

Additionally, the Company operates six Company-owned installation centers that serve wholesale and/or retail customers in their respective markets.

In other parts of the world, the Company operates primarily through third party distributors, who operate under agreement with the Company to develop a market or a region under the Company's supervision and direction.

The Company has operations in the U.S., operates XPEL Ltd. in the United Kingdom, and operates XPEL Canada Corp. in Canada. The Company owns 85% of XPEL Ltd. and owns 100% of XPEL Canada Corp.

Overall Performance

The Company continues to see strong revenue growth as customer demand and consumer awareness for the Company's products continues to increase. The results from the Company's operations in the United Kingdom and particularly in Canada continue to be strongly impacted by the strength of the U.S. Dollar.

Factoring out the impact of currency, the Company saw strong increases in net income over the prior year period. For the three months ended September 30, 2015, net income was $398,082 but $682,542 at constant currency. (See Results of Operations below). The Company expects continued strength of the U.S. Dollar to impact IFRS net income going into 2016.

As discussed previously, the Company has a number of strategic objectives for 2015.

Current Strategic Objectives

1. **Get close to the Customer.** The Company believes it is able to create more value and generate higher margins the closer to the end customer it operates. The strategy manifests itself in a number of ways that continue to evolve, including:
    a) The Company desires to have a direct presence in international markets, which it has done through the acquisition of Parasol Canada to form XPEL Canada and the formation of XPEL Ltd. International operations allow the Company to serve its customers in key markets directly, with a consistent service and product offering. It also gives the Company more flexibility in

dealing with challenges, such as those introduced by a complex foreign currency environment.

b) The establishment of regional distribution centers allowing for just in time product availability at reasonable cost. The Company's customers are generally small and may not have, at all times, sufficient inventory on-hand to meet their needs. Having regional inventory available quickly and without costly express shipping charges is a tangible benefit for the Customers.

c) The operation of regional installation centers which enable the Company to be directly engaged in local markets. With its direct presence, the Company is able to support additional sales, training and marketing resources for the benefit of all Customers in a given market.

2. **Engage in brand building and marketing expansion.** Through 2015, the Company has continued to increase its total marketing spend from little to a robust marketing budget that includes event sponsorship, print advertising and on-line advertising. Additionally, the Company has updated the majority of its marketing material to a consistent and fresh branding, with the final push to launch a new website in the fourth quarter. The Company has spent heavily in 2015 to provide new marketing material to its customers at little or no charge.
3. **Invest in technology to drive customer service and efficiency at scale.** The Company believes a heavy investment in technology will both create a better customer experience and also allow the Company to achieve more financial leverage at scale. Starting in 2014 and through 2015, the Company has undertaken an aggressive implementation of a global Enterprise Resource Planning (ERP) system, which continues to help the Company achieve more scale at lower cost while simultaneously giving Customers better information and better customer service.

Results of Operations

<u>Three Months Ended September 30, 2015</u>

Revenues. Revenues increased from $8,410,089 to $10,874,243, or 29% between the prior year period. The increase in revenues is primarily a result of increases in XPEL Protection Film sales. Revenues increased 35% over the prior year period to $11,342,955 on a constant currency basis.

Direct Costs. Direct Costs of sales increased $1,808,267 between the prior year periods and increased as a percentage of revenues from 69% to 70%. 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 39% to $2,628,513 from $1,897,277 in the prior year period and increased slightly as a percentage of sales to 24% of sales from 23% of sales in the prior year period.

Net income. The Company had net income before taxes of $602,082 compared to net income before taxes of $726,221 for the prior year period. The Company had net income of $398,082 for the period as compared to net income of $473,296 for the prior year period. Net Income increased 44% to $682,542 over the prior year period on a constant currency basis.

EBITDA. The Company has EBITDA of $914,484 compared to EBITDA of $862,729 for the prior year period. On a constant currency basis, EBITDA increased 51% to $1,310,448 compared to the prior year period.

<u>Nine Months Ended September 30, 2015</u>

Revenues. Revenues increased from $22,030,271 to $30,298,220, or 38% between the prior year period. The increase in revenues is primarily a result of increases in XPEL Protection Film sales. Revenues increased 42% between the prior year period to $31,250,577 on a constant currency basis.

Direct Costs. Direct Costs of sales increased $5,656,403 between periods and remained the same as a percentage of revenues of 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 55% to $7,031,569 from $4,525,185 in 2014 and increased as a percentage of sales to 23% of sales from 21% of sales in the prior year period.

Net income. The Company had net income before taxes of $2,325,673 for the nine months as compared to net income before taxes of $2,337,582 for same period in 2014. The Company had net income of $1,670,673 for the nine months as compared to net income of $1,527,657 for the same period in 2014. Net income increased 47% over the prior year period to $2,253,836 on a constant currency basis.

EBITDA. The Company has EBITDA of $3,135,578 compared to EBITDA of $2,701,732 for the prior year period. On a constant currency basis, EBITDA increased 48% to $4,003,727 compared to the prior year period.

EBITDA

The Company has provided a reconciliation of EBITDA to IFRS net income in the following table. EBITDA is defined as net income before interest, taxes, depreciation and amortization. Management believes that EBITDA is a useful measure that facilitates period to period operating comparisons.

	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
Net Income	398,082	473,296	1,670,673	1,527,657
Interest	72,185	13,260	173,049	20,663
Taxes	204,000	252,925	655,000	809,925
Depreciation	70,107	36,851	169,988	98,490
Amortization	170,110	86,397	466,868	244,844
EBITDA	914,484	862,729	3,135,578	2,701,579

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.

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Revenues	10,874.3	11,290.0	8,133.9	7,599.9	8,410.1	8,348.3	5,271.9	4,965.9
Net Income Before Taxes	602.1	950.7	778.2	414.9	726.2	967.2	644.3	451.8
Net Income	398.1	605.7	672.2	1,542.3	473.3	595.2	459.3	280.8
Net Income per Share	0.015	.023	.026	.060	0.018	0.023	.018	.010
Amounts in thousands, except per share amounts								

Liquidity and Capital Resources

Cash flows provided by operating activities during the nine months ended September 30, 2015 were approximately $1,329,410. The cash flows provided by operations result from operating earnings of $1,670,673 with the addition of non-cash items of $250,069, which includes deferred income tax expense recovery of $59,000, and reduced by working capital changes of $591,332.

Cash flows used in investing activities during the nine months ended September 30, 2015 were $2,868,600 due to the purchase of property, plant and equipment of $487,598, the acquisition and development of intangible assets of $529,731, and the cash paid on acquisition of $1,851,271.

Cash flows provided by financing activities during the period were $3,432,578 due to cash of $1,900,000 from the bank operating facility, proceeds from vehicle notes of $71,316, $21,046 used in the repayment of vehicle notes payable, $190,000 used in the repayment of bank loan, $196,026 used in the repayment of promissory note, and proceeds from the bank loan of $1,868,334, which was used towards the acquisition during the first quarter.

The Company's net operating, investing and financing activities during the nine months ended September 30, 2015 increased cash by $1,893,388.

Commitments & Related Party Transactions

At September 30, 2015, the Company had lease agreements for its current premises. The commitments total approximately $335,112 for the next 12 months and approximately $642,590 over the remaining terms.

A total of $146,627 (2014 - $133,430) in salaries and other short-term benefits was paid to key members of management as compensation in the third quarter of 2015, of which $135,039 (2014 - $123,221) is included as part of selling, general and administrative expense and $11,588 (2014 - $10,209) was capitalized into deferred development costs for design templates.

There were no related party transactions during the third quarter of 2015.

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, 2015, 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, 2015.

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.

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.

(b) In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue—Barter Transactions Involving Advertising Services.

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

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

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.