

XPEL Reports Record Full Year 2018 Revenue of \$109.9 Million, Growth of 63.3% and EPS of \$0.32

- Company Files Registration Statement on Form 10 to Register Its Securities in the U.S and Submits NASDAQ Application -

San Antonio, TX – April 3, 2019 – XPEL, Inc. (TSXV: DAP.U), a leading supplier of automotive paint protection and window films, announced results for the year ended December 31, 2018.

XPEL also announced that it has filed a registration statement on Form 10 with the U.S. Securities and Exchange Commission (“SEC”) to register its securities pursuant to the Securities Exchange Act of 1934 (the “1934 Act”). The Form 10 filing registers existing shares with the SEC without offering any additional shares for sale.

The Form 10 filing provides information on the strategy and historical financial data of the Company and will be updated with additional information in subsequent amendments in conjunction with the regular SEC review process. Upon the effectiveness of the Form 10, the Company will be subject to the reporting requirements of the 1934 Act and, as a result, will file periodic reports and other information with the SEC. In conjunction with this filing, the Company has submitted an application to NASDAQ seeking to list its common stock under the ticker symbol “XPEL”. Acceptance for listing the common stock with NASDAQ is subject to the effectiveness of the Form 10.

In connection with the Form 10 filing, the Company requested and was granted an exemption from the Ontario Securities Commission to file its financial statements in accordance with accounting principles generally accepted in the United States (“US GAAP”) in lieu of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) which is required as a Reporting Issuer in Canada. As part of the exemption granted by the Ontario Securities Commission, the Company has agreed to file quarterly financials for the first three quarters of 2018, prepared under US GAAP, on SEDAR no later than April 30, 2019. For that reason, XPEL is only providing US GAAP revenue performance for fourth quarter 2018, which resulted in growth of 33.1% to \$26.8 million.

Company results below are presented in accordance with US GAAP.

For the Year Ended December 31, 2018:

Revenues. Revenues increased approximately \$42.6 million or 63.3% to \$109.9 million as compared to \$67.3 million in the prior year.

Gross Margin. Gross margin was 30.4% versus 24.8% in 2017. The increase was related to reductions in per unit material cost and reductions in non-product related costs.

Expenses. Selling, general and administrative expenses increased \$7.1 million versus the prior year period but decreased as a percentage of sales to 19.7% of sales from 21.5% 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 (Earnings Before Interest, Taxes, Depreciation, and Amortization) increased \$9.4 million to \$13.0 million versus \$3.6 million in the prior year¹.

Net income. Net income increased to \$8.7 million, or \$0.32 per basic and diluted share versus net income of \$1.0 million, or \$0.04 per basic and diluted share in 2017.

Ryan Pape, President and Chief Executive Officer of XPEL, commented, “2018 was a year of outstanding progress for our Company reflected in record revenues, substantially improved gross margin performance and significantly enhanced profitability. Our robust growth is directly related to strong and growing worldwide demand for our high-quality, diverse products and customer-centric services.”

“We are also excited about our pending U.S. listing which has been on our radar for a while now. As a U.S. based company, it’s logical for us to move our primary reporting jurisdiction to the U.S. We think this move will be beneficial both to our shareholders and the Company by exposing XPEL to a larger audience of investors, ultimately increasing liquidity, simplifying compliance and increasing our access to capital in the future should the business need it.”

“We look forward to the opportunities ahead and to expanding our customer base and our product and service offerings to increase our leadership position in the markets we serve,” Mr. Pape concluded.

Conference Call Information

The Company will host a conference call to discuss the year end results today, April 3, 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 May 3, 2019 and may be accessed by dialing (877) 481-4010. International callers may dial (919) 882-2331. Callers should use conference ID: 45633.

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

¹ See reconciliation of non-GAAP financial measures below.

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

| | Year Ended December 31, | |
|---|--------------------------------|---------------|
| | 2018 | 2017 |
| Revenue | | |
| Product revenue | \$ 95,526,350 | \$ 56,348,149 |
| Service revenue | 14,394,264 | 10,948,895 |
| Total revenue | 109,920,614 | 67,297,044 |
| Cost of Sales | | |
| Cost of product sales | 73,656,389 | 48,051,461 |
| Cost of service | 2,827,620 | 2,561,751 |
| Total cost of sales | 76,484,009 | 50,613,212 |
| Gross Margin | 33,436,605 | 16,683,832 |
| Operating Expenses | | |
| Sales and marketing | 6,802,241 | 4,945,390 |
| General and administrative | 14,802,628 | 9,526,937 |
| Total operating expenses | 21,604,869 | 14,472,327 |
| Operating Income | 11,831,736 | 2,211,505 |
| Interest expense | 168,389 | 328,402 |
| Loss (gain) on sale of property, plant and equipment | 25,733 | (13,251) |
| Foreign exchange loss (gain) | 156,309 | (252,196) |
| Income before income taxes | 11,481,305 | 2,148,550 |
| Income tax expense | 2,760,073 | 1,154,220 |
| Net income | 8,721,232 | 994,330 |
| Income (loss) attributed to non-controlling interest | 8,698 | (53,001) |
| Net income attributable to stockholders of the company | \$ 8,712,534 | \$ 1,047,331 |
| Earnings per share attributable to stockholders of the company | | |
| Basic and diluted | \$ 0.32 | \$ 0.04 |
| Weighted average number of common shares | | |
| Basic and diluted | 27,612,597 | 27,326,261 |

XPEL, Inc.

Consolidated Balance Sheets

| | December 31, 2018 | December 31, 2017 |
|---|----------------------|----------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 3,971,226 | \$ 3,498,904 |
| Accounts receivable, net | 5,554,313 | 5,445,036 |
| Inventory, net | 10,799,611 | 10,520,794 |
| Prepaid expenses and other current assets | 706,718 | 774,762 |
| Total current assets | 21,031,868 | 20,239,496 |
| Property and equipment, net | 3,384,206 | 2,153,233 |
| Intangible assets, net | 3,804,026 | 3,562,772 |
| Goodwill | 2,322,788 | 1,856,642 |
| Total assets | \$ 30,542,888 | \$ 27,812,143 |
| Liabilities | | |
| Current | | |
| Revolving line of credit | \$ - | \$ 2,000,000 |
| Current portion of notes payable | 853,150 | 1,024,434 |
| Accounts payable and accrued liabilities | 6,292,093 | 9,718,833 |
| Income tax payable | 1,337,599 | 1,171,618 |
| Total current liabilities | 8,482,842 | 13,914,885 |
| Deferred tax liability, net | 478,864 | 474,440 |
| Notes payable | 968,237 | 927,432 |
| Total liabilities | 9,929,943 | 15,316,757 |
| Stockholders' equity | | |
| Preferred stock, \$0.001 par value; authorized 10,000,000; none issued and outstanding | - | - |
| Common stock, \$0.001 par value; authorized 100,000,000; as of December 31, 2018 and 2017, 27,612,597 issued and outstanding | 27,613 | 27,613 |
| Additional paid-in-capital | 11,348,163 | 11,348,163 |
| Accumulated other comprehensive loss | (1,190,055) | (596,683) |
| Retained earnings | 10,617,253 | 1,904,719 |
| | 20,802,974 | 12,683,812 |
| Non-controlling interest | (190,029) | (188,426) |
| Total stockholders' equity | 20,612,945 | 12,495,386 |
| Total liabilities and stockholders' equity | \$ 30,542,888 | \$ 27,812,143 |

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 and amortization. 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

| | <u>Year Ended Dec 31, 2018</u> | <u>Year Ended Dec 31, 2017</u> |
|---------------------|------------------------------------|------------------------------------|
| Net Income | \$ 8,721,232 | \$ 994,330 |
| Interest | 168,389 | 328,402 |
| Taxes | 2,760,073 | 1,154,220 |
| Depreciation | 735,983 | 594,712 |
| Amortization | 642,801 | 537,334 |
| EBITDA | <u>\$ 13,028,478</u> | <u>\$ 3,608,998</u> |