

value into the following hierarchy:Level 1 " Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.Level 2 " Inputs other than the quoted prices in active markets that are observable either directly or indirectly, including: quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.Level 3 " Unobservable inputs that are supported by little or no market data and require the reporting entity to develop its own assumptions.Financial instruments include cash and cash equivalents, accounts receivable, accounts payable, our line of credit, and long-term debt. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, our line of credit, and short-term borrowings approximate fair value because of the near-term maturities of these financial instruments. The carrying value of the Company's notes payable approximates fair value due to the relatively short-term nature and interest rates of the notes. The carrying value of the Company's long-term debt approximates fair value due to the interest rates being market rates. The estimated fair value of debt is based on market quotes for instruments with similar terms and remaining maturities.The Company has contingent liabilities related to future internal performance milestones. The fair value of these liabilities was determined using a Monte Carlo Simulation based on the probability and timing of certain future payments under these arrangements. These liabilities are accounted for as Level 3 liabilities within the fair value hierarchy.13XPEL, Inc.Notes to Condensed Consolidated Financial Statements(Uaudited)Liabilities measured at fair value on a recurring basis as of the dates noted below are as follows (in thousands):September 30, 2024December 31, 2023Level 3: A A A Contingent Liabilities\$1,091A \$815A Decreased in the fair value of level 3 contingent liabilities are reflected in general and administrative expenses in the Consolidated Statements of Income for the three and nine months ended September 30, 2024.11. A A A COMMITMENTS AND CONTINGENCIESIn the ordinary course of business activities, the Company may be contingently liable for litigation and claims including those pertaining to customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Management also has determined that the likelihood of any class action or other litigation and claims having a material impact on our results of operations, cash flows or financial position is remote.12. A A A EARNINGS PER SHAREWe compute basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share includes effect of granted incremental restricted stock units.The following table reconciles basic and diluted weighted average shares used in the computation of earnings per share (in thousands except per share values):Three Months Ended September 30, Nine Months Ended September 30, Numerator2024202320242023A A Net income\$14,892A \$13,656A \$36,591A \$40,830A DenominatorA A Weighted average basic shares27,642A 27,623A 27,636A 27,620A A A Dilutive effect of restricted stock units2A 21A 3A 14A A A Weighted average diluted shares27,644A 27,644A 27,639A 27,634A Earnings per shareA A Basic\$0.54A \$0.49A \$1.32A \$1.48A A A Diluted\$0.54A \$0.49A \$1.32A \$1.48A 13. A A A ACQUISITIONS OF BUSINESSESDuring 2024, we have acquired certain companies for an aggregate purchase price of \$8.0 million. These acquisitions were primarily completed to increase the geographical footprint of our installation service businesses and to expand our product offerings into new applications.Our valuation models related to the contingent liabilities, identified intangible assets, and goodwill included in these acquisitions are not yet finalized and these figures are presented on a preliminary basis. Accounting for these items will be finalized within 12 months of each acquisition date. Purchase price 14XPEL, Inc.Notes to Condensed Consolidated Financial Statements(Uaudited)allocations for other acquired items is finalized. Accordingly, the total preliminary purchase price for acquisitions completed during the nine months ended September 30, 2024 is as follows (in thousands):Aggregate Purchase PriceCash\$7,276A Contingent consideration700A \$7,976A Aggregate AllocationCash\$231A Other Working Capital445A Property, equipment, and operating lease assets2,927A Trade name2288A Acquired patterns2222A Customer Relationships21,099A Goodwill35,595A Operating lease liabilities(2,831)\$7,976A 1Total cash consideration is comprised of amounts paid on closing dates plus holdback amounts to be paid in the future net of working capital deficiencies to be reclaimed from seller.2The weighted average useful life of acquired amortizable intangible assets is 9 years.3The full value of this acquired goodwill is expected to be tax deductible.Acquisitions completed during the nine months ended September 30, 2024 have not yet contributed substantially to our consolidated operating results. The following unaudited pro forma financial information presents our results, including expenses relating to the amortization of intangibles purchased, as if the acquisitions completed during the nine months ended September 30, 2024 had occurred on January 1, 2024 and 2023, respectively (in thousands):Nine Months Ended September 30, 20242023Revenue\$316,671A \$297,444A Net income\$36,848A \$41,134A The unaudited consolidated pro forma combined financial information does not purport to be indicative of the results which would have been obtained had the acquisitions been completed as of the beginning of the earliest period presented or of results that may be obtained in the future. In addition, this financial information does not include any benefits that may result from the acquisition due to synergies that may be derived from the elimination of any duplicative costs.Valuations and purchase price allocations for acquisitions completed in the latter half of 2023 have been finalized with minor changes to goodwill and other acquired intangible assets.15Item 2. A Management's Discussion and Analysis of Financial Condition and Results of OperationsThis Management's Discussion and Analysis provides material historical and prospective disclosures intended to enable investors and other users to assess the financial condition and results of operations of XPEL, Inc. (the "XPEL" or the "Company"). Statements that are not historical are forward-looking and involve risks and uncertainties discussed under the heading "Forward-Looking Statements" in this Report and under "Business," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements and Supplementary Data" in the Annual Report which is available on the SEC's website at www.sec.gov.Forward-Looking StatementsThis quarterly report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are subject to the safe harbor created by those sections. In addition, the Company or others on the Company's behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences and/or web casts open to the public, in press releases or reports, on the Company's internet web site, or otherwise. All statements other than statements of historical facts included in this report or expressed by the Company orally from time to time that address activities, events, or developments that the Company expects, believes, or anticipates will or may occur in the future are forward-looking statements, including, in particular, the statements about the Company's plans, objectives, strategies, and prospects regarding, among other things, the Company's financial condition, results of operations and business, and the outcome of contingencies, such as legal proceedings. The Company has identified some of these forward-looking statements in this report with words like "believe," "expect," "may," "could," "would," "might," "forecast," "possible," "potential," "project," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate," "approximate," "outlook," or "continue" or the negative of these words or other words and terms of similar meaning. The use of future dates is also an indication of a forward-looking statement. Forward-looking statements may be contained in the notes to the Company's condensed consolidated financial statements and elsewhere in this report, including under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations."Forward-looking statements are based on current expectations about future events affecting the Company and are subject to uncertainties and factors that affect all businesses operating in a global market as well as matters specific to the Company. These uncertainties and factors are difficult to predict, and many of them are beyond the Company's control. Factors to consider when evaluating these forward-looking statements include, but are not limited to:We are highly dependent on the automotive industry. A prolonged or material contraction in automotive sales and production volumes could adversely affect our business, results of operations and financial condition.4. We currently rely on one distributor for our products in China. A significant percentage of our revenue is generated from our business in China, a market that is associated with certain risks.5. The loss of one or more of our key personnel or our failure to attract and retain other highly qualified personnel in the future, could harm our business.6. A material disruption from our contract manufacturers or suppliers or our inability to obtain a sufficient supply from alternate suppliers could cause us to be unable to meet customer demands or increase our costs.7. Our asset-light business model exposes us to product quality and variable cost risks.8. Our accounting estimates and risk management processes rely on assumptions or models that may prove inaccurate.16. Fluctuations in the cost and availability of raw materials, equipment, labor and transportation could cause manufacturing delays, increase our costs and/or impact our ability to meet customer demand. 9. Our industry is highly competitive.10. Harm to our reputation or the reputation of one or more of our products could have an adverse effect on our business.11. Our revenue and operating results may fluctuate, which may make our results difficult to predict and could cause our results to fall short of expectations.12. Technology could render the need for some of our products obsolete.13. Infringement of our intellectual property could impact our ability to compete effectively.14. If changes to our existing products or introduction of new products or services do not meet our customers' expectations or fail to generate revenue, we could lose our customers or fail to generate any revenue from such products or services and our business may be harmed.15. We depend on our relationships with independent installers and new car dealerships and their ability to sell and service our products. Any disruption in these relationships could harm our sales.16. We may not be able to identify, finance and complete suitable acquisitions and investments, and any completed acquisitions and investments could be unsuccessful or consume significant resources.17. We may incur material losses and costs as a result of product liability and warranty claims.18. Our failure to satisfy international trade compliance regulations, and changes in U.S. government sanctions, could have a material adverse effect on us.19. We may seek to incur substantial indebtedness in the future.20. We cannot be certain that additional financing will be available on reasonable terms when required, or at all.21. Variable rate indebtedness exposes us to interest rate volatility, which could cause our debt service obligations to increase significantly.22. General global economic and business conditions affect demand for our products.23. A public health crisis could impact our business.24. Economic, political and market conditions can adversely affect our business, financial condition and results of operations. We believe the items we have outlined above are important factors that could cause estimates included in our financial statements to differ materially from actual results and those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf.25. A We have discussed these factors in more detail in the Annual Report. These factors are not necessarily all of the factors that could affect us. Unpredictable or unanticipated factors that we have not discussed in this Report could also have material adverse effects on actual results. We do not intend to update our description of important factors each time a potential important factor arises, except as required by applicable securities laws and regulations. We advise our shareholders that they should (1) be aware that factors not referred to above could affect the accuracy of our forward-looking statements and (2) use caution when considering our forward-looking statements. Company OverviewThe Company is a leading provider of protective films and coatings, including automotive paint protection film, surface protection film, automotive and commercial/residential window films, and ceramic coatings with a global footprint, a network of trained installers and proprietary DAP software. The Company is dedicated to exceeding customer expectations by providing high-quality products, leading customer service, expert technical support and world-class training. The Company began as a software company designing vehicle patterns used to produce cut-to-fit protective film for the painted surfaces of automobiles. In 2007, we began selling automotive surface and paint protection film products to complement our software business. In 2011, we introduced our 17ULTIMATE protective film product line, which, at the time was the industry's first protective film with self-healing properties. The ULTIMATE technology allows the protective film to better absorb the impacts from rocks and other road debris, thereby fully protecting the vehicle. The film is described as "self-healing" due to its ability to return to its original state after damage from surface scratches. The launch of the ULTIMATE product catapulted the Company into several years of strong revenue growth. Our over-arching strategic philosophy stems from our view that being closer to the end customer in terms of our channel strategy affords us a better opportunity to efficiently introduce new products and deliver tremendous value which, in turn, drives more revenue growth for the Company. Strategic OverviewXPEL continues to pursue several key strategic initiatives to drive continued growth. Our global expansion strategy includes establishing a local presence where possible, allowing us to better control the delivery of our products and services. We also add locally based regional sales personnel, leveraging local knowledge and relationships to expand the markets in which we operate. We seek to increase global brand awareness in strategically important areas, including pursuing high visibility at premium events such as major car shows and high value placement in advertising media consumed by car enthusiasts, to help further expand the Company's premium brand. XPEL also continues to expand its delivery channels by acquiring select installation facilities in key markets and acquiring international partners to enhance our global reach. As we expand globally, we strive to tailor our distribution model to adapt to target markets. We believe this flexibility allows us to penetrate and grow market share more efficiently. Our acquisition strategy centers on our belief that the closer the Company is to its end customers, the greater its ability to drive increased product sales. We believe our channel strategy uniquely positions us to be wherever the demand takes us and is a key part of our ability to drive sustained growth. We also continue to drive expansion of our non-automotive product portfolio. Our architectural window film segment continues to gain traction. We believe there are multiple uses for protective films and we continue to explore those adjacent market opportunities.Key Business Metric - Non-GAAP Financial MeasuresOur management regularly monitors certain financial measures to track the progress of our business against internal goals and targets. We believe that the most important measure to the Company is Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"). EBITDA is a non-GAAP financial measure. We believe EBITDA provides helpful information with respect to our operating performance as viewed by management, including a view of our business that is not dependent on (i) the impact of our capitalization structure and (ii) items that are not part of our day-to-day operations. Management uses EBITDA (1) to compare our operating performance on a consistent basis, (2) to calculate incentive compensation for our employees, (3) for planning purposes including the preparation of our internal annual operating budget, (4) to evaluate the performance and effectiveness of our operational strategies, and (5) to assess compliance with various metrics associated with the agreements governing our indebtedness. Accordingly, we believe that EBITDA provides useful information in understanding and evaluating our operating performance in the same manner as management. We define EBITDA as net income plus (a) total depreciation and amortization, (b) interest expense, net, and (c) income tax expense.18The following table is a reconciliation of Net income to EBITDA for the three and nine months ended September 30, 2024 and 2023 (in thousands): (Unaudited)(Unaudited)Three Months Ended September 30, Nine Months Ended September 30, 20242023 Change20242023% ChangeNet income\$14,892A \$13,656A 9.1A %\$36,591A \$40,830A (10.4)%Interest97A 85A 14.1A %962A 946A 1.7A %Taxes3,730A 3,490A 6.9A %9,033A 10,553A (14.4)%Depreciation1,504A 1,199A 25.4A % of Non-GAAP Financial MeasuresEBITDA 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, 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 their usefulness as comparative measures.Results of OperationsThe following table summarizes the Company's consolidated results of operations for the three and nine months ended September 30, 2024 and 2023 (dollars in thousands):Three Months Ended September 30, 2024% of Total RevenueThree Months Ended September 30, 2023% of Total RevenueChange% ChangeTotal revenue\$312,873A 100.0A %\$290,755A 100.0A %\$22,118A 7.6A %Total cost of sales179,216A 57.3A %169,273A 58.2A %\$9,943A 5.9A %Gross margin133,657A 42.7A %121,482A 41.8A %12,175A 10.0A %Total operating expenses86,855A 27.8A %68,734A 23.6A %18,121A 26.4A %Operating income46,802A 15.0A %52,748A 18.1A % (5,946)(11.3)%Other expense1,178A 0.4A %1,365A 0.5A %(187)(13.7)%Income tax9,033A 2.9A %10,553A 3.6A %(1,520)(14.4)%Net income\$36,591A 11.7A %\$40,830A 14.0A %\$(4,239)(10.4)%The following table summarizes revenue results for the three and nine months ended September 30, 2024 and 2023 (dollars in thousands):Three Months Ended September 30, % of Total Revenue20242023Inc (Dec)20242023Product RevenuePaint protection film\$60,545A \$58,977A 2.7A %53.6A %57.4A %Window film22,627A 18,762A 20.6A %20.1A %18.3A %Other3,778A 3,386A 11.6A %3.3A %Total\$86,950A \$81,125A 7.2A %77.0A %79.0A %Service RevenueSoftware\$2,041A \$1,652A 23.5A %1.8A %1.6A %Cutbank credits4,500A 4,524A (0.5)%4.0A %4.4A %Installation labor18,925A 27.4A %16.8A %14.5A %Training and

other436Å 524Å (16.8)%0.4Å %0.5Å %Total\$25,902Å \$21,552Å 20.2Å %23.0Å %21.0Å %Total\$112,852Å \$102,677Å 9.9Å %100.0Å %100.0Å %20Nine Months Ended September 30,% of Total Revenue20242023Inc (Dec)20242023Product RevenuePaint protection film\$166,870Å \$165,016Å 1.1Å %53.3Å %56.8Å %Window film59,195Å 54.05Å 9.5Å %18.9Å 16.8Å %Other10,937Å 10,268Å 6.5Å %3.5Å %23.5Å %Total\$237,002Å \$229,339Å 3.3Å %75.7Å %78.9Å %Service RevenueSoftware\$5,959Å \$4,656Å 28.0Å %1.9Å %1.6Å %Cutbank credits13,300Å 13,253Å 0.4Å %4.3Å %4.6Å %Installation labor55,090Å 41,781Å 31.9Å %17.6Å %14.4Å %Training and other1,522Å 1,726Å (11.8)%0.5Å %0.6Å %Total\$75,871Å \$61,416Å 23.5Å %24.3Å %22.1Å %Total\$312,873Å \$290,755Å 7.6Å %100.0Å %100.0Å %Because many of our international customers require us to ship their orders to freight forwarders located in the United States, we cannot be certain about the ultimate destination of the product. The following table represents our estimate of sales by geographic regions based on our understanding of ultimate product destination based on customer interactions, customer locations and other factors for the three and nine months ended September 30, 2024 and 2023 (dollars in thousands):Three Months Ended September 30,% of Total Revenue20242023Inc (Dec)20242023United States\$64,565Å \$59,002Å 9.4Å %57.2Å %57.5Å %Canada14,415Å 11,471Å 25.7Å %12.8Å %11.2Å %China9,058Å 10,242Å (11.6)%8.0Å %10.0Å %Continental Europe9,058Å 8,705Å 4.1Å %8.0Å %8.5Å %United Kingdom3,548Å 3,499Å 1.4Å %3.2Å %3.4Å %Middle East/Africa5,286Å 3,909Å 35.2Å %4.7Å %3.8Å %Asia Pacific4,095Å 3,233Å 26.7Å %3.6Å %3.1Å %Latin America2,872Å 2,325Å 21.6Å %6.2Å %5.2Å %2.3Å %Otherå€Å 291Å (100.0)%0.0Å %0.2Å %Total\$112,852Å \$102,677Å 9.9Å %100.0Å %100.0Å %21Nine Months Ended September 30,% of Total Revenue20242023Inc (Dec)20242023United States\$181,515Å \$169,228Å 7.3Å %58.0Å %58.2Å %Canada38,769Å 31,914Å 21.5Å %12.4Å %11.0Å %China14,910Å 24,992Å (40.3)%4.8Å %8.6Å %Continental Europe30,629Å 26,354Å 16.2Å %9.8Å %9.1Å %United Kingdom10,723Å 10,220Å 4.9Å %3.4Å %3.5Å %Middle East/Africa15,231Å 11,514Å 32.3Å %4.9Å %4.0Å %Asia Pacific12,179Å 9,192Å 32.5Å %3.9Å %3.2Å %Latin America8,917Å 6,617Å 34.8Å %2.8Å %2.3Å %Otherå€Å 724Å (100.0)%0.0Å %0.2Å %Total\$312,873Å \$290,755Å 7.6Å %100.0Å %100.0Å %Product Revenue. Product revenue for the three months ended September 30, 2024 increased 7.2% over the three months ended September 30, 2023. Product revenue represented 77.0% of our total revenue compared to 79.0% in the three months ended September 30, 2023. Revenue from our paint protection film product line increased 2.7% over the three months ended September 30, 2023. Paint protection film sales represented 53.6% and 57.4% of our total consolidated revenues for the three months ended September 30, 2024 and 2023, respectively. The total increase in paint protection film sales was due to increased demand for our film products across multiple regions offset by lower sales into China. Sales into China continue to be negatively impacted as our distributor continues to work through excess inventory levels accumulated in the fourth quarter last year. Revenue from our window film product line grew 20.6% for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. Window film sales represented 20.1% and 18.3% of our total consolidated revenues for the three months ended September 30, 2024 and 2023, respectively. This increase was driven by continued demand resulting from increased product adoption in multiple regions. Architectural window film revenue increased 6.2% compared to the three months ended September 30, 2023, to \$2.9 million, and represented 12.6% of total window film revenue and 2.5% of total revenue for the three months ended September 30, 2024. This increase was due mainly to increased product awareness and adoption in multiple regions. Other product revenue for the three months ended September 30, 2024 increased 11.6% compared to the three months ended September 30, 2023 due primarily to continued growth in revenue from our FUSION product line. Revenue for our FUSION product line for the three months ended September 30, 2024 was \$1.7 million compared to \$1.5 million for the three months ended September 30, 2023. Geographically, we experienced continued growth in most of our regions including 9.4% growth in the US region. These increases were primarily due to increasing product awareness and adoption. Product revenue for the nine months ended September 30, 2024 increased 3.3% over the nine months ended September 30, 2023. Product revenue represented 75.7% of our consolidated revenue compared to 78.9% in the nine months ended September 30, 2023. Revenue from our paint protection film product line increased 1.1% over the nine months ended September 30, 2023. Paint protection film sales represented 53.3% and 56.8% of our consolidated revenues for the nine months ended September 30, 2024 and 2023, respectively. Revenue from our window film grew 9.5% compared to the nine months ended September 30, 2023. Window film sales represented 18.9% and 18.6% of our total consolidated revenues for the nine months ended September 30, 2024 and 2023, respectively. This increase was driven by continued demand 22resulting from increased product adoption in multiple regions. Architectural window film revenue increased 20.7% compared to the nine months ended September 30, 2023 to \$7.7 million and represented 13.1% of total window film revenue and 2.5% of total revenue. This increase was driven by increased demand for our architectural window films resulting from increased product awareness and adoption.å Å Å Other product revenue for the nine months ended September 30, 2024 increased 6.5% compared to the nine months ended September 30, 2023. This was due primarily to continued growth in revenue from our FUSION product line, which grew 7.8% to \$4.8 million compared to the nine months ended September 30, 2023. Geographically, we saw revenue growth in most regions during the nine months ended September 30, 2024. These increases were due primarily to increased product awareness and attach rates. Service revenue. Service revenue consists of revenue from fees for DAP software access, cutbank credit revenue, which represents the value of pattern access provided with eligible product revenue, revenue from the labor portion of installation sales in our Company-owned installation centers, revenue from our dealership services business and revenue from training services provided to our customers. Service revenue grew 20.2% over the three months ended September 30, 2023. Within this category, software revenue increased 23.5% over the three months ended September 30, 2023. This increase was due to an increase in total subscribers to our DAP software. Cutbank credit revenue was essentially flat from the three months ended September 30, 2023 which is comparable to the associated changes in paint protection film revenue. Installation labor revenue increased 27.4% over the three months ended September 30, 2023 due mainly to increased demand across our dealership services and OEM networks. Service revenue for the nine months ended September 30, 2024 grew 23.5% over the nine months ended September 30, 2023. Within this category, software revenue grew 28.0% over the nine months ended September 30, 2023. This increase was due to an increase in total subscribers to our DAP software. Cutbank credit revenue increased 0.4% over the nine months ended September 30, 2023 which is comparable to associated changes in paint protection film revenue. Installation labor revenue increased 31.9% over the nine months ended September 30, 2023 due mainly to increased demand across our dealership services and OEM networks. Total installation revenue (labor and product combined) increased 27.4% over the three months ended September 30, 2023. This represented 20.0% and 17.2% of our total consolidated revenue for the three months ended September 30, 2024 and 2023, respectively. These increases were primarily due to increased demand across our dealership services and OEM networks. Total installation revenue increased 31.9% over the nine months ended September 30, 2023. This represented 21.0% and 17.1% of our total consolidated revenue for the nine months ended September 30, 2024 and 2023, respectively. These increases were primarily due to increased demand across our dealership services and OEM networks. Adjusted product revenue, which combines the cutbank credit revenue service component with product revenue, increased 6.8% over the three months ended September 30, 2023. Adjusted product revenue increased 3.2% over the nine months ended September 30, 2023. Cost of SalesCost of sales consists of product costs and the costs to provide our services. Product costs consist of material costs, personnel costs related to warehouse personnel, shipping costs, warranty costs and other related costs to provide products to our customers. Cost of service includes the labor costs associated with installation of product in our installation facilities, costs of labor associated with pattern design for our cutting software and the costs incurred to provide training for our customers. Product costs for the three months ended September 30, 2024 increased 4.0% over the three months ended September 30, 2023. Cost of product sales represented 47.8% and 50.5% of total revenue in the 23three months ended September 30, 2024 and 2023, respectively. Cost of service revenue grew 18.3% during the three months ended September 30, 2024. For both product and service, cost of sales increased commensurate with the related growth in revenue. Refer to the Gross Margin section below for discussion of this cost relative to revenue. Product costs for the nine months ended September 30, 2024 increased 2.6% over the nine months ended September 30, 2023. Cost of product sales represented 47.1% and 49.4% of total revenue in the nine months ended September 30, 2024 and 2023, respectively. Cost of service revenue grew 24.1% during the nine months ended September 30, 2024. For both product and service, cost of sales increased commensurate with the related growth in revenue. Refer to the Gross Margin section below for discussion of this cost relative to revenue. Gross MarginGross margin for the three months ended September 30, 2024 grew approximately \$6.4 million, or 15.4%, compared to the three months ended September 30, 2023. For the three months ended September 30, 2024, gross margin represented 42.5% of revenue compared to 40.4% for the three months ended September 30, 2023. Gross margin for the nine months ended September 30, 2024 grew approximately \$12.2 million, or 10.0%, compared to the nine months ended September 30, 2023. The following table summarizes gross margin for product and services for the three and nine months ended September 30, 2024 and 2023 (dollars in thousands):Three Months Ended September 30,% of Category Revenue20242023Inc (Dec)20242023Product margin\$32,983Å \$29,249Å 12.8Å %37.9Å %36.1Å %Service margin14,933Å 12,280Å 21.6Å %57.7Å %57.0Å %Total\$47,916Å \$41,529Å 15.4Å %42.5Å %40.4Å %Nine Months Ended September 30,% of Category Revenue20242023Inc (Dec)20242023Product margin\$89,626Å \$85,726Å 4.5Å %37.8Å %37.4Å %Service margin44,031Å 35,756Å 23.1Å %58.0Å %58.2Å %Total\$133,657Å \$121,482Å 10.0Å %42.7Å %41.8Å %Product gross margin for the three months ended September 30, 2024 increased approximately \$3.7 million, or 12.8%, over the three months ended September 30, 2023 and represented 37.9% and 36.1% of total product revenue for the three months ended September 30, 2024 and 2023, respectively. The increases in gross margin and gross margin percentage were due primarily to decreases in product costs and improved operating leverage. Product gross margin for the nine months ended September 30, 2024 increased approximately \$3.9 million, or 4.5%, over the nine months ended September 30, 2023 and represented 37.8% and 37.4% of total product revenue for the nine months ended September 30, 2024 and 2023, respectively. The increases in product gross margin and gross margin percentage were primarily due to decreases in product costs and improved operating leverage. 24Service gross margin increased approximately \$2.7 million, or 21.6%, over the three months ended September 30, 2023. This represented 57.7% and 57.0% of total service revenue for the three months ended September 30, 2024 and 2023, respectively. These increases in service gross margin and service gross margin percentage were primarily due to operating leverage across our installation networks. Service gross margin increased approximately \$8.3 million, or 23.1%, over the nine months ended September 30, 2023. This represented 58.0% and 58.2% of total service revenue for the nine months ended September 30, 2024 and 2023, respectively. Operating ExpensesSales and marketing expenses for the three months ended September 30, 2024 increased 37.6% compared to the same period in 2023. This increase was primarily due to increased personnel and marketing costs including additional sponsorships and increased marketing efforts to dealerships and end customers. These expenses represented 9.4% and 7.5% of total consolidated revenue for the three months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024, sales and marketing expenses increased 38.8% compared to the same period in 2023. This increase was due to increased personnel and marketing costs incurred to associated with ongoing growth in multiple markets as the Company increased its marketing efforts to dealerships and end customers. These expenses represented 10.0% and 7.8% of total consolidated revenue for the nine months ended September 30, 2024 and 2023, respectively. General and administrative expenses grew approximately \$2.7 million, or 16.8% over the three months ended September 30, 2023. This increase in cost was due primarily to increases in personnel, occupancy costs and professional fees. These costs represented 16.7% and 15.7% of total consolidated revenue for the three months ended September 30, 2024 and 2023, respectively. General and administrative expenses grew approximately \$9.4 million, or 20.3% over the nine months ended September 30, 2023. This increase in cost was due primarily to increases in personnel, occupancy costs and professional fees. These costs represented 17.8% and 15.9% of total consolidated revenue for the nine months ended September 30, 2024 and 2023, respectively. Income Tax ExpenseIncome tax expense for the three months ended September 30, 2024 increased \$0.2 million from the three months ended September 30, 2023. Our effective tax rate was 20.0% for the three months ended September 30, 2024 compared with 20.4% for the three months ended September 30, 2023. Income tax expense for the nine months ended September 30, 2024 decreased \$1.5 million from the same period in 2023. Our effective tax rate was 19.8% for the nine months ended September 30, 2024 compared with 20.5% for the nine months ended September 30, 2023. Net IncomeNet income for the three months ended September 30, 2024 increased 9.1% to \$14.9 million. Net income for the nine months ended September 30, 2024 decreased 10.4% to \$36.6 million. 25Liquidity and Capital ResourcesOur primary sources of liquidity are available cash and cash equivalents, cash flows provided by operations, and borrowings under our credit facilities. As of September 30, 2024, we had cash and cash equivalents of \$21.0 million. For the nine months ended September 30, 2024, cash provided by operations was \$41.5 million. We currently have \$128.3 million of credit available to us under our U.S. and Canadian credit facilities. We expect available cash, internally generated funds, and borrowings from our committed credit facilities to be sufficient to support working capital needs, capital expenditures (including acquisitions), and other obligations. We are focused on continuing to generate positive operating cash to fund our operational and capital investment initiatives. We believe we have sufficient liquidity to operate for at least the next 12 months from the date of filing this report. Operating activities. Cash provided by operations for the nine months ended September 30, 2024 was \$41.5 million compared to \$38.5 million during the nine months ended September 30, 2023. This increase in cash flows from operating activities was mainly due reductions in inventory purchases during the year offset by other changes in working capital. Investing activities. Cash used in investing activities totaled approximately \$13.0 million during the nine months ended September 30, 2024 compared to \$10.2 million during the nine months ended September 30, 2023. This increase was due primarily to higher acquisition-related payments during 2024. Financing activities. Cash flows used in financing activities during the nine months ended September 30, 2024 totaled \$19.2 million compared to \$26.2 million during the same period in the prior year. This change was due primarily to the timing of repayments on our credit facility, which was fully repaid at September 30, 2024. Debt and contingent obligations as of September 30, 2024 and December 31, 2023 totaled approximately \$1.4 million and \$19.9 million, respectively. Future Liquidity and Capital Resource RequirementsWe expect to fund ongoing operating expenses, capital expenditures, acquisitions, interest payments, tax payments, credit facility maturities, future lease obligations, and payments for other long-term liabilities with cash flow from operations and borrowings under our credit facility. In the short-term, we are contractually obligated to make lease payments and make payments on contingent liabilities related to certain completed acquisitions. In the long-term, we are contractually obligated to make lease payments, for contingent liabilities, and for repayment of borrowings on our line of credit. We believe that we have sufficient cash and cash equivalents, as well as borrowing capacity, to cover our estimated short-term and long-term funding needs. Credit FacilitiesThe Company has a revolving credit facility providing for secured revolving loans and letters of credit in an aggregate amount of up to \$125 million, which is subject to the terms of a credit agreement dated April 6, 2023 ("Credit Agreement"). As of September 30, 2024, no balance was outstanding under the Credit Agreement. At December 31, 2023, the Company had an outstanding balance of \$19 million under the Credit Agreement. Borrowings under the Credit Agreement bear interest, at XPELå™'s option, at a rate equal to either (a) Base Rate or (b) Adjusted Term SOFR. In addition to the applicable interest rate, the Credit Agreement includes a commitment fee ranging from 0.20% to 0.25% per annum for the unused portion of the aggregate commitment and an applicable margin ranging from 0.00% to 0.50% for Base Rate Loans and 1.00% to 1.50% for Adjusted Term SOFR Loans. At September 30, 2024, these rates were 8.0% and 6.3%, respectively. Both the margin applicable to the interest rate and the commitment fee are dependent on XPELå™'s Consolidated Total Leverage Ratio. The Credit Agreement's maturity date is April 6, 2026. All capitalized terms in this description of the Credit Agreement that are not otherwise defined in this report have the meaning assigned to them in the Credit Agreement. Obligations under the Credit Agreement are secured by a first priority perfected security interest, subject to certain permitted encumbrances, in all of XPELå™'s material property and assets. The terms of the Credit Agreement include certain affirmative and negative covenants that require, among other things, XPEL to maintain legal existence and remain in good standing, comply with applicable laws, maintain accounting records, deliver financial statements and certifications on a timely basis, pay taxes as required by law, and maintain insurance coverage, as well as to forgo certain specified future activities that might otherwise encumber XPEL. The Credit Agreement provides for 2 financial covenants, as follows:As of the last day of each fiscal quarter: 1.XPEL shall not allow its Consolidated Total Leverage Ratio to exceed 3.50 to 1.00, and 2.XPEL shall not allow its Consolidated Interest Coverage Ratio to be less than 3.00 to 1.00. The Company also has a CAD \$4.5 million revolving credit facility through HSBC Bank Canada, and is maintained by XPEL Canada Corp., a wholly-owned subsidiary of XPEL. This Canadian facility is utilized to fund the Company's working capital needs in Canada. This facility bears interest at HSBC Canada Bankå™'s prime rate plus 0.25% per annum and is guaranteed by the parent company. As of

critical accounting estimates from the information provided in the Annual Report on Form 10-K.Related Party RelationshipsThere are no family relationships between or among any of our directors or executive officers. There are no arrangements or understandings between any two or more of our directors or executive officers, and there is no arrangement, plan or understanding as to whether non-management stockholders will exercise their voting rights to continue to elect the current Board. There are also no arrangements, agreements or understandings between non-management stockholders that may directly or indirectly participate in or influence the management of our affairs.Item 3. Quantitative and Qualitative Disclosures about Market RiskWe have operations that expose us to currency risk in the British PoundÂ Sterling, the Canadian Dollar, the Euro, the Mexican Peso, the New Taiwanese Dollar, the Australian Dollar, the Indian Rupee and the Chinese Yuan. Amounts invested in our foreign operations are translated into U.S.Â Dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as accumulated other comprehensive loss, a component of stockholdersâ™ equity in our condensed consolidated balance sheets. We do not currently hedge our exposure to potential foreign currency translation adjustments.Borrowings under our revolving lines of credit or our Credit Agreement (see Note 8) are subject to market risk resulting from changes in interest rates related to our floating rate bank credit facilities. For such borrowings, a hypothetical 200Â basis point increase in variable interest rates may result in a material 27impact to our financial statements. We do not currently have any derivative contracts to hedge our exposure to interest rate risk. During each of the periods presented, we have not experienced a significant effect on our business due to changes in interest rates.If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could adversely affect our business, financial condition and results of operations.Item 4. Controls and ProceduresEvaluation of Disclosure Controls and ProceduresWe have established and maintain a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended ("Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer (âœCEOâ€) and Chief Financial Officer (âœCFOâ€), as appropriate, to allow timely decisions regarding required disclosures.Management, with the participation of our CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report.Â Based on such evaluation, our CEO and CFO have each concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SECâ™s rules and forms and that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.Changes in Internal Control over Financial ReportingThere were no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.28Part II. Other InformationItem 1. Legal ProceedingsFrom time to time, we are made parties to actions filed or have been given notice of potential claims relating to the ordinary conduct of our business, including those pertaining to commercial disputes, product liability, patent infringement and employment matters.On August 8, 2024, a securities class action complaint, Greg Adishian v. XPEL, Inc., et. al., case number 5:24-cv-00873, was filed against the Company in the United States District Court for the Western District of Texas. The Complaint names as defendants the Company and certain of its officers for making false and misleading statements regarding the Company's financial outlook. Management intends to vigorously defend against this action. While we believe that a material impact on our financial position, results of operations or cash flows from any such future claims or potential claims is unlikely, given the inherent uncertainty of litigation, it is possible that this action or another unforeseen future adverse ruling or unfavorable development could result in future charges that could have a material adverse impact. We do and will continue to periodically reexamine our estimates of probable liabilities and any associated expenses and receivables and make appropriate adjustments to such estimates based on experience and developments in litigation. As a result, the current estimates of the potential impact on our financial position, results of operations and cash flows for the proceedings and claims described in the notes to our consolidated financial statements could change in the future. Item 1A. Risk FactorsThere have been no material changes to the risk factors disclosed in Part I, Item IA of the Annual Report on Form 10-K.Item 2. Unregistered Sales of Equity Securities and Use of ProceedsNone.Item 3. Defaults Upon Senior SecuritiesNot applicable.Item 4. Mine Safety DisclosuresNot applicable.Item 5. Other InformationOn AugustÂ 20, 2024 Ryan Pape, Chairman of the Board, President and Chief Executive Officer of the Company adopted a 10b5-1 plan which is designed to satisfy the affirmative defense of Rule 10b5-1(c). This plan allows for Mr. Pape's orderly distribution of 53,544 shares of the Company's Common Stock during the period from NovemberÂ 19, 2024 to AprilÂ 30, 2025.29Item 6. ExhibitsThe following exhibits are being filed or furnished with this quarterly report on Form 10-Q:Exhibit No.DescriptionMethod of Filing31.1Certification of Chief Executive Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002Filed herewithÂ A Â 31.2Certification of Chief Financial Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002Filed herewithÂ A Â 32.1Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002Furnished herewith32.2Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002Furnished herewithA Â A 101The following materials from XPELâ™s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2020, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the unaudited Consolidated Balance Sheets, (ii) the unaudited Consolidated Statements of Operations, (iii) the unaudited Consolidated Statements of Comprehensive Income, (iv) the unaudited Consolidated Statements of Â Equity, (v) the unaudited Consolidated Statements of Cash Flows, and (vi)Â Notes to Consolidated Financial StatementsFiled herewith104Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). Filed herewithSIGNATURESPursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.Â XPEL, Inc. (Registrant)Â A By:/s/ Barry R. WoodÂ Barry R. Wood Senior Vice President and Chief Financial OfficerNovember 8, 2024(Authorized Officer and Principal Financial and Accounting Officer)30DocumentEXHIBIT 31.1Â CERTIFICATION PURSUANT TO SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002Â I, Ryan L. Pape, certify that:Â Date:Â NovemberÂ 8, 2024I have reviewed this Quarterly Report on Form 10-Q of XPEL, Inc.;2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;4.The registrantâ™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:a.designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;b.designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;c.evaluated the effectiveness of the registrantâ™s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; andd.disclosed in this report any change in the registrantâ™s internal control over financial reporting that occurred during the registrantâ™s most recent fiscal quarter (the registrantâ™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ™s internal control over financial reporting; and5.The registrantâ™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ™s auditors and the audit committee of the registrantâ™s board of directors (or persons performing the equivalent functions):a.all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrantâ™s ability to record, process, summarize and report financial information; andb.any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ™s internal control over financial reporting.Date: NovemberÂ 8, 2024/s/ Ryan L. PapeRyan L. PapePresident and Chief Executive Officer(Principal Executive Officer)DocumentEXHIBIT 31.2Â CERTIFICATION PURSUANT TO SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002Â I, Barry R. Wood, certify that:Â Date:Â NovemberÂ 8, 2024I have reviewed this Quarterly Report on Form 10-Q of XPEL, Inc.;2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;4.The registrantâ™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:a.designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;b.designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;c.evaluated the effectiveness of the registrantâ™s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; andd.disclosed in this report any change in the registrantâ™s internal control over financial reporting that occurred during the registrantâ™s most recent fiscal quarter (the registrantâ™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ™s internal control over financial reporting; and5.The registrantâ™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ™s auditors and the audit committee of the registrantâ™s board of directors (or persons performing the equivalent functions):a.all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrantâ™s ability to record, process, summarize and report financial information; andb.any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ™s internal control over financial reporting.Date: NovemberÂ 8, 2024/s/ Barry R. WoodÂ Barry R. Wood Senior Vice President and Chief Financial Officer(Principal Financial Officer);width:100%>DocumentEXHIBIT 32.1Â CERTIFICATION PURSUANT TO18 U.S.C. 1350(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)Â I, Ryan L. Pape, President and Chief Executive Officer of XPEL, Inc. (the âœCompanyâ€), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:Â (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended SeptemberÂ 30, 2024 (the âœReportâ€) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); andÂ (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.Â This certificate is being furnished solely for the purposes of 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.Date: NovemberÂ 8, 2024/s/ Ryan L. PapeRyan L. PapePresident and Chief Executive OfficerDocumentEXHIBIT 32.2Â CERTIFICATION PURSUANT TO18 U.S.C. 1350(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)Â I, Barry R. Wood, Senior Vice President and Chief Financial Officer of XPEL, Inc. (the âœCompanyâ€), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:Â (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended SeptemberÂ 30, 2024 (the âœReportâ€) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); andÂ (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.Â This certificate is being furnished solely for the purposes of 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.Date: NovemberÂ 8, 2024/s/ Barry R. WoodÂ Barry R. Wood Senior Vice President and Chief Financial Officer