

REFINITIV

DELTA REPORT

10-K

XPEL - XPEL, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	1254
CHANGES	332
DELETIONS	520
ADDITIONS	402

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2022** **December 31, 2023**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-38858

XPEL, INC.

(Exact name of registrant as specified in its charter)

 XPEL Logo.jpg

Nevada

(State or other jurisdiction of incorporation or organization)

711 Broadway, Suite 320

San Antonio

Texas

(Address of Principal Executive Offices)

20-1117381

(I.R.S. Employer Identification No.)

78215

(Zip Code)

Registrant's telephone number, including area code: (210) 678-3700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	XPEL	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as identified in Rule 405 of the Securities Act. Yes x No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

☒

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the Registrant, as of **June 30, 2022** **June 30, 2023**, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately **\$1,006,381,554**; **\$2,100,717,483**.

The Registrant had **27,616,064** **27,631,097** shares of common stock outstanding as of **February 28, 2023** **February 28, 2024**.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts into which Incorporated
Portions of the registrant's Proxy Statement relating to the 2023 2024 Annual Meeting of Stockholders to be held on May 24, 2023 June 5, 2024 .	Part III

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made in this Annual Report on Form 10-K ("Annual Report") include forward-looking statements, which reflect our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Annual Report and are subject to a number of risks, uncertainties and assumptions described under the sections entitled "Business," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements and Supplementary Data" and elsewhere in this Annual Report.

Forward-looking statements include, but are not limited to, statements with respect to the nature of our strategy and capabilities, the vertical and regional expansion of our market and business opportunities, and the expansion of our product offerings in the future. Statements that include words like "believe," "expect," "anticipate," "intend," "plan," "seek," "estimate," "could," "potentially" or similar expressions are forward-looking statements and reflect future predictions that may not be correct, even though we believe they are reasonable. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict or are beyond our control. A number of

important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made.

The forward-looking statements reflect our current expectations and are based on information currently available to us and on assumptions we believe to be reasonable. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause our actual results, activities, performance or achievements to be materially different from that expressed or implied by such forward-looking statements.

Factors to consider when evaluating these forward-looking statements include, but are not limited to:

- Our business is highly dependent on automotive sales and production volumes.
- We currently rely on one distributor for sales of our products in China.
- A material portion of our business is in China, which may be an unpredictable market and is currently suffering trade tensions with the U.S.
- We must continue to attract, retain and develop key personnel.
- We could be impacted by disruptions in supply.
- Our accounting estimates and risk management processes rely on assumptions or models that may prove inaccurate.
- We must maintain an effective system of internal control over financial reporting to keep stockholder confidence.
- Our industry is highly competitive.
- Our North American market is currently designed for the public's use of car dealerships to purchase automobiles which may dramatically change.
- Our revenue could be impacted by growing use of ride-sharing or other alternate forms of car ownership.
- We must be effective in developing new lines of business and new products to maintain growth.
- Any disruptions in our relationships with independent installers and new car dealerships could harm our sales.
- Our strategy related to acquisitions and investments could be unsuccessful or consume significant resources.
- We must maintain and grow our network of sales, distribution channels and customer base to be successful.
- We are exposed to a wide range of risks due to the multinational nature of our business.
- We must continue to manage our rapid growth effectively.
- We are subject to claims and litigation in the ordinary course of our business, including product liability and warranty claims.
- We must comply with a broad and complicated regime of domestic and international trade compliance, anti-corruption, economic, intellectual property, cybersecurity, data protection and other regulatory regimes.
- We may seek to incur substantial indebtedness in the future.
- Our growth may be dependent on the availability of capital and funding.
- Our Common Stock could decline or be downgraded at any time.
- Our stock price has been, and may continue to be, volatile.
- We may issue additional equity securities that may affect the priority of our Common Stock.
- We do not currently pay dividends on our Common Stock.
- Shares eligible for future sale may depress our stock price.
- Anti-takeover provisions could make a third party acquisition of our Company difficult.
- Our directors and officers have substantial control over us.
- Our bylaws may limit investors' ability to obtain a favorable judicial forum for disputes.
- The COVID-19 pandemic could materially affect our business.
- Our business faces unpredictable global, economic and business conditions, including the risk of inflation in various markets.

Although we have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. The forward-looking information contained herein is made as of the date of this Annual Report and, other than as required by law, we do not assume any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise.

You should also read the matters described in "Risk Factors" and the other cautionary statements made in this Annual Report as being applicable to all related forward-looking statements wherever they appear in this Annual Report. The forward-looking statements in this Annual Report may not prove to be accurate and therefore you are encouraged not to place undue reliance on forward-looking statements. You should read this Annual Report completely.

EXPLANATORY NOTE

This Annual Report includes estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

We own or have rights to trademarks or trade names that we use in connection with the operation of our business, including our corporate names, logos and website names. In addition, we own or have the rights to copyrights, trade secrets and other proprietary rights that protect the content of our products and the formulations for such products. Solely for

convenience, some of the trademarks, trade names and copyrights referred to in this report are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, trade names and copyrights. Please see "Business -Intellectual Property and Brand Protection" for more information.

Other trademarks and trade names in this Annual Report are the property of their respective owners.

Unless the context indicates otherwise, all references in this Annual Report to "XPEL," the "Company," "we," "us," and "our" refer to XPEL, Inc. and its subsidiaries.

SUMMARY OF RISK FACTORS

The following is a summary of the most significant risks and uncertainties that we believe could adversely affect our business, financial condition or results of operations. In addition to the following summary, you should consider the other information set forth in the "Risk Factors" section and the other information contained in this Annual Report.

Operational Risks

- We currently rely on one distributor for our products in China. The loss of this relationship, or a material disruption in sales by this distributor, could severely harm our business.
- A significant percentage of our revenue is generated from our business in China, a market that is associated with certain risks.
- 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.
- 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.
- **Our asset-light business model exposes us to product quality and variable cost risks.**
- The preparation of our financial statements involves the use of estimates, judgments and assumptions, and our financial statements may be materially affected if such estimates, judgments or assumptions prove to be inaccurate.

Risks Related to Our Business and Industry

- 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.
- 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.
- The after-market automotive product supply business is highly competitive. Competition presents an ongoing threat to the success of our Company.
- Harm to our reputation or the reputation of one or more of our products could have an adverse effect on our business.
- 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.
- **Technology could render the need for some of our products obsolete.**
- **Infringement of our intellectual property could impact our ability to compete effectively.**

Strategic Risks

- 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.
- 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.
- 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.
- **If we are unable to maintain our network of sales and distribution channels, it could adversely affect our net sales, profitability and implementation of our growth strategy.**
- **If we are unable to retain and acquire new customers, our financial performance may be materially and adversely affected.**
- **We are exposed to political, regulatory, economic and other risks that arise from operating a multinational business.**

Legal, Regulatory and Compliance Risks

- We may incur material losses and costs as a result of product liability and warranty claims.
- Violations of the U.S. Foreign Corrupt Practices Act and similar anti-corruption laws outside the U.S. could have a material adverse effect on us.
- **Our failure to satisfy international trade compliance regulations, and changes in U.S. government sanctions, could have a material adverse effect on us.**

Liquidity Risks

- We may seek to incur substantial indebtedness in the future.
- We cannot be certain that additional financing will be available on reasonable terms when required, or at all.
- Our variable rate indebtedness exposes us to interest rate volatility, which could cause our debt service obligations to increase significantly.

Risks Relating to Common Stock

- If research analysts issue unfavorable commentary or downgrade our Common Stock, the price of our Common Stock and its trading volume could decline.
- Our stock price has been, and may continue to be, volatile.
- We may issue additional equity securities or engage in other transactions that could dilute our book value or affect the priority of our Common Stock, which may adversely affect the market price of our Common Stock.
- We may issue shares of preferred stock with greater rights than our Common Stock.
- We have not paid any cash dividends in the past and have no plans to pay cash dividends in the future, which could cause our Common Stock to have a lower value than that of similar companies which do not pay cash dividends.
- Shares eligible for future sale may depress our stock price.

General Risk Factors

- Pandemics have in the past and may in the future have a significant negative impact on our financial condition and operations.
- General global economic and economic business conditions affect demand for our products.
- A public health crisis could impact our business
- Economic, political and market conditions can adversely affect our business, financial condition and results of operations.

Part I

Item 1. Business

Company Overview

Founded in 1997 and incorporated in Nevada in 2003, XPEL has grown from an We are a supplier of automotive product design software company to a global provider of after-market automotive products, including automotive surface and paint protection headlight protection, and film, automotive window films, as well as a provider of complementary proprietary software. In 2018, we expanded our product offerings to include film, ceramic coatings, architectural window film (both commercial products, and residential) related tools and security equipment to support the installation of these products. We also function as a service provider offering installation of these products through multiple channels. The majority of our revenue is derived from our automotive products and services while the remainder of our revenue is derived from non-automotive products including architectural window film, marine and flat surface protection for commercial and residential uses, and in 2019 we further expanded our product line to include automotive ceramic coatings films.

XPEL 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 ULTIMATE 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 or and other road debris, thereby fully protecting the painted surface of a 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 XPEL 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. Consistent with this philosophy, we have executed on several strategic initiatives including:

2014

- We began our international expansion by establishing an office in the United Kingdom.

2015

- We acquired Parasol Canada, a distributor of our products in Canada.

2016

- We opened our XPEL Netherlands office and established our European headquarters

2017

- We continued our international expansion with the acquisition of Protex Canada Corp., or Protex Canada, a leading franchisor of automotive protective film franchises serving Canada, and
- We opened our XPEL Mexico office.

2018

- We launched our first product offering outside of the automotive industry, a window and security film protection for commercial and residential uses.
- We introduced the next generation of our highly successful ULTIMATE line, ULTIMATE PLUS.
- We acquired Apogee Corporation which led to formation of XPEL Asia based in Taiwan.

2019

- We were approved for the listing of our stock on Nasdaq trading under the symbol "XPEL".

2020

- We acquired Protex Centre, a wholesale-focused paint protection installation business based in Montreal, Canada.
- We expanded our presence in France with the acquisition of certain assets of France Auto Racing.
- We expanded our architectural window film presence with the acquisition of Houston-based Veloce Innovation, a leading provider of architectural films for use in residential, commercial, marine and industrial settings.

2021

- We expanded our presence into numerous automotive dealerships throughout the United States with the acquisition of PermaPlate Film, LLC, a wholesale-focused automotive window film installation and distribution business based in Salt Lake City, Utah.
- We acquired five businesses in the United States and Canada from two sellers as a continuation of our acquisition strategy. These acquisitions allowed us to continue to increase our penetration into mid-range dealerships in the US and solidify our presence in Western Canada.
- We acquired invisIFRAME, Ltd, a designer and manufacturer of paint protection film patterns for bicycles, thus further expanding our non-automotive offerings.

2022

- We expanded our presence in Australia with the purchase of the paint protection film business of our Australian distributor.

Products and Services

Surface and Paint Protection Film Rolls: Our primary products are paint and surface protection films. Most of the products sold are for automotive application which principally protect applications. Paint protection film, our flagship product, is a self-adhesive, clear film designed to be applied to painted surfaces of automobiles and other surfaces. Historically, one of the top complaints from new car buyers has been damage to paint from rock chips damage and road debris. Paint protection film solves for this issue by protecting the painted surface from bug acids such damage. The installation of paint protection film requires training and other road debris practice to become proficient. Most installers of paint protection film prefer to use software and a pattern databases to aid in the installation. The benefits of using software for installation include increased installation efficiency and reduction of waste. Some of the products sold are used for non-automotive applications, such as industrial protection, screen protection or architectural protection. We sell a variety of product lines each with their own unique characteristics, warranty and intended use.

Automotive Surface and Paint Protection

XPEL ULTIMATE PLUS: ULTIMATE PLUS is our flagship clear, thermoplastic polyurethane, or TPU, based product which is a self-healing, stain-resistant film with exceptional clarity and durability.

XPEL ULTIMATE FUSION: ULTIMATE FUSION is our newest paint protection film product providing the same benefits as ULTIMATE PLUS but also contains a hydrophobic top-coat which creates a naturally slick surface to repel water and road grime

XPEL STEALTH: STEALTH is a satin-finished paint protection film, made with the same construction as ULTIMATE PLUS. STEALTH is designed to protect surfaces that already have a matte finish or to give otherwise glossy surfaces a matte finish.

TRACWRAP: TRACWRAP is a temporary TPU-based paint protection film, for both do-it-yourself, or DIY, and professional applications, that is designed to be used for a short period of time, including during road trips, vehicle transport or vehicles pending a full installation of our other products such as XPEL ULTIMATE PLUS.

LUX PLUS: LUX PLUS is our flagship clear, TPU-based paint protection film for the Chinese market. Designed and formulated specifically for the demands of China, with excellent self-healing and stain-resistance, it is offered for sale exclusively in that market.

XPEL RX: RX Protection Film provides protection for a variety of surfaces including screens and other electronics and contains silver ions which inhibit the growth of microbes on the film's surface.

XPEL ARMOR: ARMOR is a thick PVC-based protection film that looks and performs like a spray-on bedliner. It is designed to resist abrasions and punctures from aggressive terrains.

OTHER FILMS: We sell a variety of other specialty films in smaller quantities for select customers or in certain markets, including: LUX-M, MPD and ARES in the Chinese Market and F Series Film in various international markets.

Most of our Surface and Paint Protection films are applied wet and can be installed in bulk or pre-cut using our pattern database accessible by DAP, our SAAS platform. While we sell some pre-cut and Do-It-Yourself products made from these rolls directly to consumers, the vast majority of the products are professionally installed.

Surface and Paint Protection film sales represented approximately **62%** **58.0%** of our consolidated revenue for the year ended **December 31, 2022** **December 31, 2023**.

Automotive Window Film Rolls: We sell several lines of automotive window films, primarily under the XPEL PRIME brand name, which exhibit a range of performance characteristics and appearances, including:

XPEL PRIME XR PLUS: PRIME XR PLUS offers 98% infrared heat rejection developed with multi-layer nano-particle technology. This is our most expensive flagship product with our best specifications and characteristics. It is available in a variety of visible light transmission, or VLT, levels.

XPEL PRIME XR: PRIME XR utilizes a nano-ceramic construction, blocking 88% of infrared heat and does not interfere with radio, cellular or Bluetooth signals like a metallized film.

XPEL PRIME CS: PRIME CS blocks solar heat radiation to keep vehicles at comfortable temperatures and blocks 99% of harmful UV rays. Available in both a black and neutral charcoal color, PRIME CS is designed to remain the same over the years and never fades or turns purple.

OTHER FILMS: We also sell a variety of other automotive window films both under the PRIME brand and on a private-label basis, including: PRIME X-SERIES and PRIME AP in China, PRIME HP, PRIME GL, PRIME SD and more. Generally, these products are lower cost and are sold only in certain markets.

appearances. Automotive window film sales represented approximately **15%** **14.8%** of our consolidated revenue for the year ended **December 31, 2022** **December 31, 2023**.

Architectural Window Film Rolls: We sell architectural glass solutions for commercial and residential buildings under the VISION brand name, representing our first product set with a fully non-automotive use. Architectural window films come in several broad categories, including:

SOLAR: Solar films are designed to provide solar energy rejection. We offer a variety of films with varying colors, **VLTs** **visual light transmissions** and price points.

SAFETY & SECURITY: Safety and Security films are clear, thick polyethylene terephthalate, or PET, films to secure glass in the event of a breakage. We offer a variety of thicknesses and offer films with varying adhesive characteristics for different types of installations.

OTHER: In addition to the main categories of SOLAR and SAFETY & SECURITY films, we also offer anti-graffiti, exterior applied and decorative films.

Architectural window film sales represented approximately **2.3%** of our consolidated revenue for the year ended **December 31, 2023**.

Ceramic coating: We sell a hydrophobic, self-cleaning coating that can be applied to a variety of surface types for automobiles, aircraft and marine applications. Ceramic coating sales represented less than 2% of our consolidated revenue for the year ended **December 31, 2022** **December 31, 2023**.

DAP Software: A key component of our product offering is our **DAP platform**. Design Access Platform ("DAP"). DAP is a proprietary SAAS platform and database consisting of over 80,000 vehicle applications used by the Company and its customers to cut automotive protection film into vehicle panel shapes for both paint protection film and window film products.

We commit significant resources to keep the pattern database updated with a goal toward having a pattern for every panel of every vehicle. When new vehicle models are introduced to the market, we strive to create the pattern as soon as possible. Our patterns and software increase installer efficiency and reduce waste.

Our DAP customers pay a monthly access fee to access our proprietary database. Monthly DAP subscriptions represented less than 2% of our consolidated revenue for the year ended **December 31, 2022** **December 31, 2023**.

Installation, Dealership and Dealership OEM Services: We offer installation services of our various products directly to retail and wholesale customers through our Company-owned installation facilities in their respective markets, and through our dealership services business which provides on-site services to automobile dealerships. Our installation services are primarily automotive film installation but have grown dealerships and to include architectural film installation in certain markets. Original Equipment Manufacturers ("OEMs"). Installation services (including product and labor revenue) represented approximately **16%** **18%** of our consolidated revenue for the year ended **December 31, 2022** **December 31, 2023**.

Miscellaneous Products, Tools and Pre-Cut Films: We sell a variety of other miscellaneous product sets which include:

PRE-CUT FILM PRODUCTS: While most of our surface protection films, automotive window films and architectural window films are sold as rolls, we also offer to including pre-cut them into vehicle specific shapes (if applicable) or cut them into smaller pieces or shapes to aide in the installation or to increase affordability or efficiency for our customers.

XPEL FUSION PLUS CERAMIC COATING: XPEL FUSION PLUS is a hydrophobic, self-cleaning coating that can be applied to paint and paint protection film wheels and calipers, plastic and trim, upholstery and glass. XPEL FUSION PLUS provides additional protection to these surfaces to enhance their appearance and protect from minor scratches.

TOOLS AND ACCESSORIES: We sell a variety of products, tools and accessories which are used in the installation of our products, including squeegees and microfiber towels, application fluids, plotter cutters, knives and more. Generally, these are offered as a service to our customers to provide one-stop shopping.

MERCHANDISE AND APPAREL: We sell a variety of XPEL-branded merchandise and apparel which helps represent and build our brand. apparel.

Strategic Overview

XPEL 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. During 2022,

2023, we acquired the paint protection film business of our Australian distributor completed four acquisitions in furtherance of this objective. 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.

Sales and Distribution

We sell and distribute our products through independent installers, new car dealerships, third-party distributors, Company-owned installation centers, Automobile Original Equipment Manufacturers, Protex Canada's franchisees, and online.

Independent Installers/New Car Dealerships

We primarily operate by selling a complete turn-key solution directly to independent installers and new car dealerships, which includes XPEL protection films, installation training, access to our proprietary DAP software, marketing support and lead generation. For the year ended December 31, 2022 December 31, 2023, approximately 65% 63.2% of the Company's consolidated revenue was through this channel.

We offer a suite of services to complement our products for our dealers and strive to create value for being an XPEL dealer. We provide access to our proprietary DAP software which, in turn, provides access to pattern libraries that enable cutting our films into specific shapes to aid in their installation. We believe that this software greatly enhances installation efficiency and reduces film waste – a valuable feature to our customers, as their highest cost tends to be labor. Increasingly, DAP is used to manage operations for our dealers, including job management, scheduling and inventory tracking. We also provide marketing and lead generation for our customers by featuring them in our dealer locator on our website. To be considered an Authorized Dealer (and thereby have end customers referred to them), independent installers must employ certified installers and meet other requirements including purchase minimums and more.

Our products are primarily utilized for new cars. As such, new car dealerships will likely be involved in the ultimate sale of our products and services. New car dealerships have multiple options to sell our products: 1) outsourcing the installation of film to the after-market which is the most common option; 2) developing an in-house program where they hire and train their own employees to install the product; and, 3) utilizing third party third-party labor to install the product in the dealership facility either on a pre-load basis or after the sale. We are agnostic as to who applies our products to new vehicles. We support all of these options for new car dealerships through the sales and support to our after-market customers, training and support to dealerships who want to build an in-house program and through our Dealership Services business which provides third party third-party installation services at dealership locations primarily on a pre-load basis.

XPEL also offers 24/7 customer service for independent installers and new car dealerships where we provide installation, software and training support via our website and telephone technical support services.

Distributors

In various parts of the world, XPEL operates primarily through third-party distributors under written agreements with the Company to develop a market or a region under our supervision and direction. These distributors may sell to other distributors or customers who ultimately install the product on an end customer's vehicle. Due to the nature of this channel, product margins are generally less than other channels. For the year ended December 31, 2022 December 31, 2023, approximately 17% 18.1% of the Company's consolidated revenue was through this channel.

In China, we operate through a sole distributor under a distribution agreement, Shanghai Xing Ting Trading Co., Ltd., which we refer to as the China Distributor. Approximately 10% 10.5% of our consolidated revenue for the year ended December 31, 2022 December 31, 2023, was derived from sales to the China Distributor.

Through our distribution agreement with the China Distributor entered into on May 31, 2018, the China Distributor has rights to promote, market, distribute, sell and install our products in China. Additionally, we have granted the non-exclusive right to the China Distributor to use our software in connection with customers' purchases of our products. The China Distributor places orders with us on a prepaid basis at a price set by us, which we may change with 30 days' notice. Certain of our products have minimum purchase requirements that increase annually.

We have also granted the China Distributor a non-exclusive license to use our brands to promote sales of our products to end-users. The distribution agreement applies to separate product categories, distinguished by their exclusive or non-exclusive relationship with the China Distributor, each for a term of five years, each of which will automatically renew for up to three additional five-year periods unless otherwise terminated by either party with 60 days' notice.

We consider our relations with the China Distributor to be good, but the loss of our relationship could result in the delay of the distribution and a decrease in marketing of our products in China. For more information, see Risk Factors—We currently rely on one distributor of our products and services in China. The loss of this relationship, or a material disruption in sales by this distributor, could severely harm our business" and "A significant percentage of our revenue is generated from our business in China, a market that is associated with certain risks."

Company-Owned Installation Centers/Dealership Services

XPEL operates 13 24 Company-owned installation centers: seven ten in the United States, three ten in Canada and one each in the United Kingdom, Kingdom, Australia, Mexico, and Taiwan. These locations serve wholesale and retail customers in their respective markets. The Company also provides on-site installation services to automobile dealerships throughout the United States and Canada through its dealership services business. This channel represented approximately 15% 14.0% of the Company's consolidated revenue for the year ended December 31, 2022 December 31, 2023.

Some of our Company-owned installation centers are located in geographic areas where we also serve customers in our independent installer/dealership channel, which could be perceived to generate channel conflict. However, we believe these channels have a synergistic relationship with our Company-owned centers supporting independent installers and dealerships by allowing us to implement local marketing, making inventory available locally for fast delivery, offering overflow installation capacity and assisting with training needs. We believe this channel strategy benefits our goal of generating the most revenue possible.

Automobile Original Equipment Manufacturers ("OEMs")

XPEL sells products, including paint protection film, and provides services, including the installation of paint protection film and pre-delivery inspection to various OEMs. These services are provided in-plant at the OEMs' facilities or in one of our facilities that is typically adjacent to the OEM's facility. This channel represented approximately 3% 4.1% of the Company's consolidated revenue for the year ended December 31, 2022 December 31, 2023.

Online and Catalog Sales

XPEL offers certain products such as paint protection kits, car wash products, after-care products and installation tools via its website. Revenues from this channel are negligible, but we believe that by offering these products on our website, we increase brand awareness. The revenue from this channel represented less than 1% 1.0% of the Company's consolidated revenue for the year ended December 31, 2022 December 31, 2023.

Competition

The Company principally competes with other manufacturers and distributors of automotive protective film products. While the Company considers itself a product company competing with other product companies, the Company believes its suite of services which accompany the Company's product offerings including its software, marketing and lead generation to its customers and customer service provide for substantial differentiation from its competitors. Within the market for surface and paint

protection film, our principal competitors include Eastman Chemical Company (under the LLumar and Suntek brands) and several other smaller companies. For more information, see Risk Factors—The after-market automotive product supply business is highly competitive. Competition presents an ongoing threat to the success of our Company.

Suppliers

The Company's products are sourced from a number of suppliers or manufactured by various third-party contract manufacturers. The Company has currently opted to pursue an "asset-light" manufacturing model whereby third-party suppliers and manufacturers are used to supply the Company with the majority of its products. We routinely evaluate building or buying manufacturing assets for some of our products, but we believe that our asset-light model best suits the Company at the present time. The Company's film products (including paint protection film and automotive and architectural window films) are produced using various roll-to-roll manufacturing processes performed entirely by third parties. The Company internalizes many conversion operations including quality assurance, inspection, rewinding, boxing and packaging for many of its products at its facilities around the world.

The Company's product lines continue to grow and include both film and non-film products. The products fall into three categories:

- Products where we own or license the intellectual property or, "IP" – the Company owns or licenses the underlying IP for product construction or for one or more components of the product and could seek to have the products made at a variety of manufacturing locations. The Company has a perpetual license to United States Patent No. 8,765,263 "Multilayer Polyurethane Protective Films".
- Products that are made for us on an exclusive basis – the Company does not own all the underlying IP, but has products made by a third party solely for the Company on an exclusive basis.

- Products that we source from suppliers on a non-exclusive basis – the Company does not own the underlying IP but sources products on commercial terms from a third party.

The Company either owns or licenses the relevant IP or has alternative substitutes to continue to operate for the material portion of products sold.

The loss of our relationship with any of our suppliers or contract manufacturers could result in the delay of the manufacture and delivery of some of our automotive film products. For more information, see Risk Factor—*A material disruption from our contract manufacturers or suppliers, or our inability to obtain a sufficient supply of product from alternate suppliers, could cause us to be unable to meet customer demands or increase our costs.*

Government Regulation and Legislation

The manufacturing, packaging, storage, distribution, advertising and labeling of our products and our business operations all must comply with extensive federal, state and foreign laws and regulations and consumer protection laws. Governmental regulations also affect taxes and levies, capital markets, healthcare costs, energy usage, international trade, immigration and other labor issues, all of which may have a direct or indirect negative effect on our business and our customers' and suppliers' businesses. We are also required to comply with certain federal, state and local laws and regulations and industry self-regulatory codes concerning privacy and data security. These laws and regulations require us to provide customers with our policies on sharing information with third parties, and advance notice of any changes to these policies. Related laws may govern the manner in which we store or transfer sensitive information or impose obligations on us in the event of a security breach or inadvertent disclosure of such information.

International jurisdictions impose different, and sometimes more stringent, consumer and privacy protections.

Our products are subject to export controls, including the U.S. Department of Commerce's Export Administration Regulations and economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Asset Controls, and similar laws that apply in other jurisdictions in which we distribute or sell our products. Export control and economic sanctions laws include prohibitions on the sale or supply of certain products and services to certain embargoed or sanctioned countries, regions, governments, persons and entities. In addition, various countries regulate the import of certain products, through import permitting and licensing requirements, as well as customs, duties and similar charges, and have enacted laws that could limit our ability to distribute our products. The exportation, re-exportation, and importation of our products, including by our distributors, must comply with these laws or else we may be adversely affected, through reputational harm, government investigations, penalties, and a denial or curtailment of our ability to export our products. Complying with export control and sanctions laws for a particular sale may be **time consuming** and may result in the delay or loss of sales opportunities. If we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us. Changes in export, sanctions or import laws, may delay the introduction and sale of our product in international markets, or, in some cases, prevent the export or import of our products to certain countries, regions,

governments, persons or entities altogether, which could adversely affect our business, financial condition and operating results.

We are also subject to various domestic and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our exposure for violating these laws would increase to the extent our international presence expands and as we increase sales and operations in foreign jurisdictions.

Proposed or new legislation In the ordinary course of business, we collect and utilize information supplied by our customers, which may include personal information and other data. We are also subject to and comply with increasingly complex privacy and data protection laws and regulations **could also significantly affect our business.** For example, in the **European United States and other jurisdictions.** This includes the EU's General Data Protection Regulation or "GDPR" ("GDPR") and the California Privacy Rights Act ("CPRA"), **took effect** which enforce rules relating to the protection of processing and movement of personal data. The interpretation and enforcement of such regulations are continuously evolving and there may be uncertainty with respect to how to comply with them. Noncompliance with GDPR, the CPRA and other data protection laws could result in **May 2018 and applies to all of our products and services used by people in Europe.** The GDPR includes operational requirements for companies that receive or process personal data of residents of the European Union that are different from those previously in place in the European Union. In addition, the GDPR requires submission of breach notifications **damage** to our designated European privacy regulator **reputation** and includes significant penalties for non-compliance with the notification obligation as well as other requirements **payment** of the regulation. The California Consumer Privacy Act, or AB 375, or CCPA, created new data privacy rights for users, beginning in 2020. Similarly, there are a number of legislative proposals in the European Union, the United States, at both the federal and state level, as well as other jurisdictions that could impose new obligations in areas affecting our business. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services. **monetary penalties.**

Environmental Matters

General

We are subject to a variety of federal, state, local and foreign environmental, health and safety laws and regulations governing, among other things, the generation, storage, handling, use and transportation of hazardous materials; the emission and discharge of hazardous materials into the environment; and the health and safety of our employees. The Company is ISO 14001:2015 registered and accredited. We have incurred and expect to continue to incur costs to maintain or achieve compliance with environmental, health and safety laws and regulations. To date, these costs have not been material to the Company.

Recycling

The Company strives to be a good steward of the environment. The Company recycles plastic cores, film waste, corrugated boxes and other material related to our conversion operations. We utilize **third party** **third-party** software to monitor our progress on this objective. **The following represents a summary of our recycling results and impact to the environment in 2022:**

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Intellectual Property and Brand Protection

We own intellectual property rights, including numerous patents, copyrights and trademarks, that support key aspects of our brand and products. We believe these intellectual property rights, combined with our brand name and reputation, provide us with a competitive advantage. We protect our intellectual property rights in the United States and many international jurisdictions.

We aggressively pursue and defend our intellectual property rights to protect our distinctive brand and products. We have processes and procedures in place to identify and protect our intellectual property assets on a global basis. We utilize legal and brand protection resources to initiate claims and litigation to protect our intellectual property assets. In the future, we intend to continue to seek intellectual property protection for our products and enforce our rights against those who infringe on these valuable assets.

Human Capital Resources

On **December 31, 2022** **December 31, 2023**, the Company employed approximately **818,105** people (full-time equivalents), with approximately **567,710** employed in the United States and **251,344** employed internationally. We believe that the ability to recruit, retain, develop, protect and fairly compensate our global workforce greatly contributes to the Company's success.

In addition to a professional work environment that promotes innovation and rewards performance, the Company's total compensation for employees includes a variety of components that support sustainable employment and the ability to build a strong financial future, including competitive market-based pay and comprehensive benefits. In addition to earning a base salary, eligible employees are compensated for their contributions to the Company's **short and long-term** goals with **short-term cash and equity** incentives. Through its global pay philosophy, principles and consistent implementation, the Company is committed to providing fair and equitable pay for employees. Eligible full-time employees in the United States also have access to medical, dental and vision plans, savings plans and other resources. Programs and benefits differ internationally for a variety of reasons, such as local legal requirements, market practices and negotiations with work councils, trade unions and other employee representative bodies.

Available Information

XPEL was incorporated in Nevada in 2003. Our street address is 711 Broadway, Suite 320, San Antonio, Texas **78219 78215** and our phone number is (210) 678-3700. The address of our website is www.xpel.com. The inclusion of the Company's website address in this Annual Report does not include or incorporate by reference the information on or accessible through the Company's website, and the information contained on or accessible through the website should not be considered as part of this Annual Report.

The Company will make its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports (and amendments to those reports) filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, or the Securities Exchange Act, available on the Company's website as soon as reasonably practicable after the Company electronically files or furnishes such materials with the Securities and Exchange Commission or, "SEC". Interested persons can view such materials without charge under the "Investor Relations" section and then by clicking "Corporate Filings / Financial Results" on the Company's web site. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information about SEC registrants, including XPEL.

Item 1A. Risk Factors

This Annual Report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this Annual Report. See "Cautionary Notice Regarding Forward-Looking Statements."

Operational Risks

We currently rely on one distributor of our products and services in China. The loss of this relationship, or a material disruption in sales by this distributor, could severely harm our business.

The Company distributes all of its products in China through one distributor, with sales to such distributor representing approximately 10.5% of our consolidated revenue for the year ended **December 31, 2022** **December 31, 2023**. The China Distributor places orders with us on a prepaid basis at a price set by us, which we may change with 30 days' notice. The China Distributor then generates orders, sells and distributes our products to its end customers in China.

Any failure by the China Distributor to perform its obligations, including a failure to procure sufficient orders of our products to satisfy customer demand or a failure to adequately market our products, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Because of our dependence on the China Distributor, any loss of our relationship or any adverse change in the financial health of such distributor that would affect its ability to distribute our products may have a material adverse effect on our business, financial condition, results of operations and cash flows.

A significant percentage of our revenue is generated from our business in China, a market that is associated with certain risks.

Maintaining a strong position in the Chinese market is a key component of our global growth strategy. During the year ended **December 31, 2022** **December 31, 2023**, approximately 10.5% of our consolidated revenue was generated in China, more than any other country outside of the U.S. and Canada in which we operate, and we expect to continue to expand our business in China. However, there are risks generally associated with doing business in China, including:

Significant political and economic uncertainties

Historically, the Chinese government has exerted substantial influence over the business activities of private companies. Under its current leadership, the Chinese government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the Chinese government will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice. Furthermore, the Chinese government continues to exercise significant control over the Chinese economy through regulation and state ownership. Changes in China's laws, regulations or policies, including those affecting taxation, currency, imports, or the nationalization of private enterprises could have a material adverse effect on our business, results of operations and financial condition. Furthermore,

government actions in the future could have a significant effect on economic conditions in China or particular regions thereof and could require us to divest ourselves of any interest we then hold in Chinese properties.

Trade policy

In 2018, the U.S. government took the stance that China was engaged in unfair trade practices, and instituted a series of tariffs and other trade barriers on China in response. Though the U.S. and China reached a phase one agreement in January 2020, tension persists between the two countries. The current administration instituted additional export controls in October 2022. Although the current U.S. administration has continued to enforce the phase one agreement, the future of U.S. and Chinese trade relations is uncertain. If the current agreement is abandoned, changed or violated by either party, we could be forced to increase the sales price of our products, reduce margins, or otherwise suffer from trade restrictions or changes in policy levied by the U.S. or Chinese governments, any of which may have a material adverse effect on our business.

Limited recourse in China

While the Chinese government has enacted a legal regime surrounding corporate governance and trade, its history of implementing such laws and regulations is limited. It is unclear how successful any attempt to enforce commercial claims or resolve commercial disputes will be. The resolution of any such dispute may be subject to the exercise of considerable discretion by the Chinese government and its agencies and forces unrelated to the legal merits of a particular matter or dispute may influence their determination.

Additionally, any rights we may have to specific performance, or to seek an injunction under China law, are severely limited, and without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events event could have a material adverse effect on our business, financial condition and results of operations.

Uncertain interpretation of law

There are substantial uncertainties regarding the interpretation and application of the laws and regulations in the greater China area, including, but not limited to, the laws and regulations governing our business. China's laws and regulations are frequently subject to change due to rapid economic and social development and many of them were newly enacted within the last ten years. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

The Chinese government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business permits and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted to our Company by relevant governmental bodies may be revoked at a later time by higher regulatory bodies. We cannot predict the effect of the interpretation of existing or new Chinese laws or regulations on our businesses. We cannot assure you that our current ownership and operating structure would not be found to be in violation of any current or future Chinese laws or regulations. As a result, we may be subject to sanctions, including fines, and could be required to restructure our operations or cease to provide certain services. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Any of these or similar actions could significantly disrupt our business operations or restrict us from conducting a substantial portion of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

Management Trade policy

In 2018, the U.S. government took the stance that China was engaged in unfair trade practices, and instituted a series of COVID-19

tariffs and other trade barriers on China in response. Though the U.S. and China reached a phase one agreement in January 2020, tension persists between the two countries. The current administration instituted additional export controls in October 2022 and October 2023. Although the current U.S. administration has continued to enforce the phase one agreement, the future of U.S. and Chinese government continues trade relations is uncertain. If the current agreement is abandoned, changed or violated by either party, we could be forced to grapple with COVID-19 increase the sales price of our products, reduce margins, or otherwise suffer from trade restrictions or changes in country. Throughout much policy levied by the U.S. or Chinese governments, any of 2022, the government enforced a total lockdown in most parts of the country which negatively impacted the Company's revenue from China. Recently, the lockdowns were lifted resulting in rampant infections across China. We cannot predict the impact of the continuing spread of COVID-19 in China. If COVID-19 persists over the long-term, it could negatively impact our China sales which, in turn, could may have a material adverse effect on our business, financial condition, results of operations and cash flows.

business.

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.

We currently depend on the continued services and performance of our executive officers, Ryan L. Pape, our President and Chief Executive Officer and Barry R. Wood, our Senior Vice President and Chief Financial Officer, and Mathieu Moreau, our Senior Vice President, Sales and Product, none of whom has an employment agreement. Loss of key personnel, including members of management as well as key product development, marketing, and sales personnel, could disrupt our operations and have an adverse effect on our business. As we continue to grow, we cannot guarantee that we will continue to attract the personnel we need to maintain our competitive position. As we grow, the incentives to attract, retain, and motivate employees may not be as effective as in the past. If

we do not succeed in attracting, hiring, and integrating effective personnel, or retaining and motivating existing personnel, our business could be adversely affected.

A material disruption from our contract manufacturers or suppliers, or our inability to obtain a sufficient supply of product products from alternate suppliers, could cause us to be unable to meet customer demands or increase our costs.

If any of our sources of supply were to deteriorate or operations were to be disrupted as a result of disagreements with one or more of our contract manufacturers or suppliers, COVID-19, significant equipment failures, natural disasters, earthquakes, power outages, fires, explosions, terrorism, adverse weather conditions, labor disputes or other reasons, we may be unable to fill customer orders or otherwise meet customer demand for our products. Any such disruption or failure by us to obtain a sufficient supply of our products to satisfy customer demand could increase our costs and reduce our sales, either of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our contract manufacturers and suppliers **have been could be** subject to various supply chain disruptions. **While these supply chain** Such disruptions **have not yet slowed the delivery of products, any such disruption** could cause us to not be able to meet demand due to a lack of inventory and/or cause a significant increase in costs of raw materials and shipping costs. Our ability to produce and timely deliver our products may be materially impacted in the future **if these should** supply chain disruptions **continue develop** or worsen. In addition, because of rising costs, we may be forced to increase the price of our products to our customers, or we may have to reduce our gross margins on the products that we sell.

Our ability to meet the demand of our customers on a timely basis is dependent upon the quality of film we receive from our contract manufacturers and suppliers. If we are unable to successfully manage the production of quality film produced by our contract manufacturers on a timely basis, our ability to meet the demand of our customers may be severely impacted.

Our asset-light business model exposes us to product quality and variable cost risks risks.

We rely on the ability of contract manufacturers and suppliers to deliver adequate supplies of quality film. If contract manufacturers and suppliers are unable to deliver products that meet quality standards, we may lack recourse or the ability to make the quality improvements ourselves.

Our asset-light model for manufacturing trades lower fixed costs for higher variable costs. If existing or new competitors have lower variable costs, our ability to effectively compete could be impacted.

If we choose to transition away from our asset-light model approach, our capital requirements and capital allocation decisions may fundamentally change which may introduce additional operational, environmental and other risks. In addition, the Company may lack the experience to manage this transition effectively or may lack the appropriate personnel to successfully accomplish this transition.

The preparation of our financial statements involves the use of estimates, judgments and assumptions, and our financial statements may be materially affected if such estimates, judgments and assumptions prove to be inaccurate.

Financial statements prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP" or "GAAP") require the use of estimates, judgments and assumptions that affect the reported amounts. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on the consolidated financial statements, and changes in these estimates, judgments and assumptions are likely to occur from period to period in the future. Significant areas of accounting requiring the application of management's judgment include, but are not limited to, determining the fair value of our assets and the timing and amount of cash flows from our assets. These estimates, judgments and assumptions are inherently uncertain and, if they prove to be wrong, we face the risk that charges to income will be required. Any such charges could significantly harm our business,

financial condition, results of operations and the price of our securities. Estimates and assumptions are made on an ongoing basis for the following: revenue recognition, capitalization of software development costs, impairment of long-lived assets, inventory reserves, allowances for doubtful accounts, fair value for business combinations, and impairment of goodwill.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would likely negatively affect our business and the market price of our Common Stock.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports and prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing conducted by us, or any testing conducted by our independent registered public accounting firm may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which is likely to negatively affect our business and the market price of our Common Stock.

Risks Related to Our Business and Industry

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.

Automotive sales and production are cyclical and depend on, among other things, general economic conditions, consumer spending, vehicle demand and preferences (which can be affected by a number of factors, including fuel costs, employment levels and the availability of consumer financing). As the volume of automotive production and the mix of vehicles produced fluctuate, the demand for our products may also fluctuate. Prolonged or material contraction in automotive sales and production volumes, or significant changes in the mix of vehicles produced, could cause our customers to reduce purchases of our products and services, which could adversely affect our business, results of operations and financial condition.

Automobile manufacturers continue to experience a global semiconductor shortage which has affected production of vehicles and, in turn, the inventory of vehicles at new car dealerships. To the extent that this shortage persists, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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.

The price and availability of key components used to manufacture our products may fluctuate significantly. Any fluctuations in the cost and availability of any of our products and/or any interruptions in the delivery of our products could harm our gross margins and our ability to meet customer demand. If we are unable to successfully mitigate these cost increases, supply interruptions and/or labor shortages, our results of operations could be affected.

The after-market automotive product supply business is highly competitive. Competition presents an ongoing threat to the success of our Company.

We face significant competition from a number of companies, many of whom have greater financial, marketing and technical resources than us, as well as regional and local companies and lower-cost manufacturers of automotive and other products. Such competition may result in pressure on our profit margins and limit our ability to maintain or increase the market share of our products.

Additionally, as we introduce new products and as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition. Our principal competitors have significantly greater resources than we do. This may allow our competitors to respond more effectively than we can to new or emerging technologies and changes in market requirements. Our competitors may also develop products, features, or services that are similar to ours or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. Certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against us.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the usefulness, ease of use, performance, and reliability of our products compared to our competitors;
- the timing and market acceptance of products, including developments and enhancements to our products or our competitors' products;
- customer service and support efforts;
- marketing and selling efforts;
- our financial condition and results of operations;
- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to attract, retain, and motivate talented employees;
- our ability to cost-effectively manage and grow our operations;
- our ability to meet the demands of local markets in high-growth emerging markets, including some in which we have limited experience; and
- our reputation and brand strength relative to that of our competitors.

If we are unable to differentiate or successfully adapt our products, services and solutions from competitors, or if we decide to cut prices or to incur additional costs to remain competitive, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Harm to our reputation or the reputation of one or more of our products could have an adverse effect on our business.

We believe that maintaining and developing the reputation of our products is critical to our success and that the importance of brand recognition for our products increases as competitors offer products similar to our products. We devote significant time and incur substantial marketing and promotional expenditures to create and maintain brand loyalty as well as increase brand awareness of our products. Adverse publicity about us or our brands, including product safety or quality or similar concerns, whether real or perceived, could harm our image or that of our brands and result in an adverse effect on our business, as well as require resources to rebuild our reputation.

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.

As a result of the rapidly changing nature of the markets in which we compete, our quarterly and annual revenue and operating results may fluctuate from period to period. These fluctuations may be caused by a number of factors, many of which are beyond our control. For example, changes in industry or third-party specifications may alter our development timelines and consequently our ability to deliver and monetize new or updated products and services. Other factors that may cause fluctuations in our revenue and operating results include:

- any failure to maintain strong customer relationships;
- any failure of significant customers, including distributors, to renew their agreements with us;
- variations in the demand for our services and products and the use cycles of our services and products by our customers;
- changes in our pricing policies or those of our competitors; and
- general economic, industry and market conditions and those conditions specific to our business.

For these reasons and because the market for our services and products is relatively new and rapidly changing, it is difficult to predict our future financial results.

If the model of selling vehicles through dealerships in North America changes dramatically, our revenue could be impacted.

Generally, most vehicles in North America are sold through franchised new car dealerships. These dealerships have a strong profit motive and are historically very good at selling accessories and other products. Going forward, if the dealership model were to change in the form of fewer franchised dealerships, or the possibility of manufacturer owned distribution, the prospects in this channel may diminish. Manufacturer-owned sales of new cars might become harder to penetrate or more streamlined with fewer opportunities to sell accessories. This would make us more reliant on our independent installer, retail-oriented channel, which would require more internal efforts and financial resources to create consumer awareness.

If ride-sharing or alternate forms of vehicle ownership gain in popularity, our revenue could be impacted.

If ride-sharing or alternate forms of vehicle ownership including rental, ride-sharing, or peer-to-peer car sharing gain in popularity, consumers may own fewer vehicles per household, which would reduce our revenue. More vehicles entering a ride-sharing or car-sharing fleet could have an uncertain impact on our revenue as consumers could be less interested in accessorizing vehicles they own than that are in the ride-sharing fleet.

Technology could render the need for some of our products obsolete.

We derive the majority of our revenue from surface and paint protection films, with the majority of products applied on painted surfaces of vehicles. If automotive paint technology were to improve substantially, such that newer paint did not chip, scratch and was generally not as susceptible to damage, or vehicles were manufactured in a way that no longer required painted surfaces, our revenue could be adversely impacted.

If paint were replaced with other technologies such as film-based products at the point of manufacture, or if machined-based application of paint protection film was developed, the need for paint protection film or the labor services provided by our sales and distribution channels could be reduced.

We create patterns for our DAP platform through a combination of technology and skilled labor. If technology for pattern creation were improved or if paint protection film properties fundamentally changed, our proprietary patterns could become more widely available, and our business could be negatively impacted.

Similarly, our automotive and architectural window films could be impacted by changes or enhancements from automotive manufacturers or window manufacturers that would reduce the need for our products.

Infringement of our intellectual property could impact our ability to compete effectively effectively.

Our intellectual property, particularly our patterns, are is susceptible to being copied without our authorization. We maintain an aggressive approach to defending our intellectual property. If we are unable to adequately protect our intellectual property or if our patterns become widely available without our permission, our revenue could be impacted.

Strategic Risks

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.

We may introduce significant changes to our existing products or develop and introduce new and unproven products or services, including using products with which we have little or no prior development or operating experience. The trend of the automotive industry towards autonomous vehicles and car- and ride-sharing services may result in a rapid increase of new and untested products in the aftermarket automotive industry. If new or enhanced products fail to attract or retain customers or to generate sufficient revenue, operating margin, or other value to justify certain investments, our business may be adversely affected. If we are not successful with new approaches to monetization, we may not be able to maintain or grow our revenue as anticipated or recover any associated development costs.

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.

The largest portion of our products are distributed through independent installers and new car dealerships. We do not have direct control over the management or the business of these independent installers and new car dealerships, except indirectly through terms as negotiated with us. Should the terms of doing business with them change, our business may be disrupted, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

Because some of our independent installer and new car dealership customers also may offer our competitors' products, our competitors may incent such customers to favor their products. We do not have long-term contracts with a majority of these independent installers and new car dealerships, and these customers are not obligated to purchase specified amounts of our products but instead buy from us on a purchase order basis. Consequently, the independent installers and new car dealerships may terminate their relationships with us or materially reduce their purchases of our products with little or no notice. If we were to lose any significant independent installers or new car dealerships, for any reason, including if an independent installer and new car dealership acquired or were acquired by a competitor such that they became a direct competitor, then we would need to obtain one or more new independent installers or new car dealerships to cover the particular location or product line, which may not be possible on favorable terms or at all.

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.

Our business strategy is expected to continue to include acquiring businesses and making investments that complement our existing business. We expect to analyze and evaluate the acquisition of strategic businesses or product lines with the potential to strengthen our industry position or enhance our existing set of product and service offerings. We may not be able to identify suitable acquisition candidates, obtain financing or have sufficient cash necessary for acquisitions or successfully complete acquisitions in the future. Acquisitions and investments may involve significant cash expenditures, debt issuance, equity issuance, operating losses and expenses. Acquisitions involve numerous other risks, including:

- diversion of management time and attention from daily operations;
- difficulties integrating acquired businesses, technologies and personnel into our business;
- difficulties in obtaining and verifying the financial statements and other business information of acquired businesses;
- inability to obtain required regulatory approvals;
- potential loss of key employees, key contractual relationships or key customers of acquired companies or of ours;
- assumption of the liabilities and exposure to unforeseen liabilities of acquired companies; and
- dilution of interests of holders of our common stock through the issuance of equity securities or equity-linked securities.

If we are unable to maintain our network of sales and distribution channels, it could adversely affect our net sales, profitability and the implementation of our growth strategy.

Our ability to continue to grow our business depends on our ability to maintain effective sales and distribution channels in each of the markets in which we operate. We make use of a variety of distribution channels, including independent installers, new car dealerships, distributors and franchisees. We believe that this network of distribution channels enables us to efficiently reach consumers at a variety of points of sale. If we are not able to maintain our sales and distribution channels, we could experience a decline in sales, as well as reduced market share, as consumers may decide to purchase competing products that are more easily obtainable. The failure to deliver our products in accordance with our delivery schedules could harm our relationships with independent installers and new car dealerships, distributors and franchisees, which could adversely affect our net sales, profitability and the implementation of our growth strategy.

If we are unable to retain and acquire new customers, our financial performance may be materially and adversely affected.

Our financial performance and operations are dependent on retaining our current customers and acquiring new customers. A number of factors could negatively affect our customer retention or acquisition. For example, potential customers may request products or services that we currently do not provide and may be unwilling to wait until we can develop or source such additional products or services.

Other factors that affect our ability to retain or acquire new customers include customers' increasing use of competing products or services, our failure to develop and introduce new and improved products or new products or services not achieving a high level of market acceptance, changes in customer preference or customer sentiment about the quality or usefulness of our products and services, including customer service, consolidation or vertical integration of our customers, adverse changes in our products mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees, and technical or other problems preventing us from delivering our products in a rapid and reliable manner.

If we are unable to retain and acquire new customers, our financial performance may be materially and adversely affected.

We are exposed to political, regulatory, economic and other risks that arise from operating a multinational business.

Sales outside of the U.S. for the year ended **December 31, 2022** **December 31, 2023** accounted for approximately **41%** **43%** of our consolidated revenue. Accordingly, our business is subject to the political, regulatory, economic and other risks that are inherent in operating in numerous countries. These risks include:

- changes in general economic and political conditions in countries where we operate, particularly in emerging markets;
- relatively more severe economic conditions in some international markets than in the U.S.;
- the difficulty of enforcing agreements and collecting receivables through non-U.S. legal systems;
- the difficulty of communicating and monitoring standards and directives across our global facilities;
- the imposition of trade protection measures and import or export licensing requirements, restrictions, tariffs or exchange controls;
- the possibility of terrorist action affecting us or our operations;
- the threat of nationalization and expropriation;
- difficulty in staffing and managing widespread operations in non-U.S. labor markets;
- changes in tax treaties, laws or rulings that could have a material adverse impact on our effective tax rate;
- limitations on repatriation of earnings;
- the difficulty of protecting intellectual property in non-U.S. countries; and
- changes in and required compliance with a variety of non-U.S. laws and regulations.

While Russia's invasion of Ukraine **has** and the Israel-Hamas conflict **have** not had a material direct impact on our business, and our related direct exposure is limited, the nature and degree of the effects of **that conflict, these conflicts**, as well as the other effects of the current business environment over time remain uncertain. Our success depends in part on our ability to anticipate and effectively manage these and other risks. We cannot assure you that these and other factors will not have a material adverse effect on our international operations or on our business as a whole.

Volatility in currency exchange rates could have a material adverse effect on our financial condition, results of operations and cash flows.

Our financial statements reflect translation of items denominated in non-U.S. currencies to U.S. dollars. Therefore, if the U.S. dollar strengthens in relation to the principal non-U.S. currencies from which we derive revenue as compared to a prior period, our U.S. dollar-reported revenue and income will effectively be decreased to the extent of the change in currency valuations and vice-versa. Fluctuations in foreign currency exchange rates, most notably the strengthening of the U.S. dollar against other various foreign currencies in markets where we operate, could continue to have a material adverse effect on our reported revenue in future periods. In addition, currency variations could have a material adverse effect on margins on sales of our products in countries outside of the U.S.

If we fail to manage our growth effectively, our business, financial condition and results of operations may suffer.

We have experienced rapid growth over the last several years and we believe we will continue to grow at a rapid pace. This growth has put significant demands on our processes, systems and personnel. We have made and we expect to make further investments in additional personnel, systems and internal control processes to help manage our growth. In addition, we have sought to, and may continue to seek to grow through strategic acquisitions. Our growth strategy may place significant demands on our management and our operational and financial infrastructure. Our ability to manage our growth effectively and to integrate new technologies and acquisitions into our existing business will require us to continue to expand our operational, financial and management information systems and to continue to retain, attract, train, motivate and manage key employees. Growth could strain our ability to develop and improve our operational, financial and management controls, enhance our reporting systems and procedures, recruit, train and retain highly skilled personnel, maintain our quality standards and maintain our customer satisfaction.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows or if we are unable to successfully manage and support our rapid growth and the challenges and difficulties associated with managing a larger, more complex business, this could cause a material adverse effect on our business, financial position, results of operations and cash flows, and the market value of our shares could also decline.

Legal, Regulatory and Compliance Risks

We may incur material losses and costs as a result of product liability and warranty claims.

The Company faces an inherent risk of exposure to product liability claims if the use of its products results, or is alleged to result, in personal injury and/or property damage. If the Company manufactures a defective product, it may experience material product liability losses. Whether or not its products are defective, the Company may incur significant costs to defend product liability claims. It also could incur significant costs in correcting any defects, lose sales and suffer damage to its reputation. Product liability insurance coverage may not be adequate for the liabilities and may not continue to be available on acceptable terms.

The Company is also subject to product warranty claims in the ordinary course of business. If the Company sells poor-quality products or uses defective materials, the Company may incur unforeseen costs in excess of what it has reserved in its financial statements. These costs could have a material adverse effect on the Company's business, financial condition, operating cash flows and ability to make required debt payments.

We sell our products under limited warranties. We have established a liability reserve under these warranties based on a review of historical warranty claims. Our liability reserve for warranties as of the year ended December 31, 2022 December 31, 2023 was \$0.2 million \$0.4 million. The warranty reserve may not be sufficient to cover the costs associated with future warranty claims. A significant increase in these costs could adversely affect the Company's operating results for future periods in which these additional costs materialize. Warranty reserves may need to be adjusted from time to time in the future if actual warranty claim experience differs from estimates. Any of the foregoing matters could have a material adverse effect on the Company's business, financial condition, operating cash flows and ability to make required debt payments.

Violations of the U.S. Foreign Corrupt Practices Act and similar anti-corruption laws outside the U.S. could have a material adverse effect on us.

The Foreign Corrupt Practices Act, or FCPA, and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that are recognized as having governmental and commercial corruption and in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We cannot assure you that our internal control policies and procedures will always protect us from reckless or criminal acts committed by our employees or third-party intermediaries. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may require self-disclosure to governmental agencies and result in criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

Our failure to satisfy international trade compliance regulations, and changes in U.S. government sanctions, could have a material adverse effect on us.

Our global operations require importing and exporting goods and technology across international borders on a regular basis. Our policy mandates strict compliance with U.S. and non-U.S. trade laws applicable to our products. Nonetheless, our policies and procedures may not always protect us from actions that would violate U.S. or non-U.S. laws. Any improper actions could subject us to civil or criminal penalties, including material monetary fines, or other adverse actions including denial of import or export privileges, and could damage our reputation and business prospects.

Changes in U.S. administrative policy, including changes to existing trade agreements and any resulting changes in international relations, could adversely affect our financial performance.

As a result of changes to U.S. administrative policy, among other possible changes, there may be (i) changes to existing trade agreements; (ii) greater restrictions on free trade generally; and (iii) significant increases in tariffs on goods imported into the United States. The United States, Mexico and Canada signed the United States-Mexico-Canada Agreement ("U.S.MCA"), the successor agreement to the North American Free Trade Agreement ("NAFTA"). The U.S.MCA became effective on July 1, 2020. On January 15, 2020, the United States signed the "Phase 1" trade agreement with China. It remains unclear what the

U.S. administration or foreign governments, including China, will or will not do with respect to tariffs, the U.S.MCA or other international trade agreements and policies. A trade war, other governmental action related to tariffs or international trade agreements, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently manufacture and sell products or any resulting negative sentiments towards the United States could adversely affect our business, financial condition, operating results and cash flows.

Changes in the United Kingdom's economic and other relationships with the European Union could adversely affect us.

We have significant operations in both the European Union and the United Kingdom. In the year ended December 31, 2022 December 31, 2023, our European Union (excluding the United Kingdom) and United Kingdom sales totaled \$24.7 million \$34.9 million and \$10.3 million \$13.4 million, respectively. Expressed as a percentage of total consolidated revenue for the year ended December 31, 2022 December 31, 2023, these figures represented 7.6% 8.8% and 3.2% 3.4%, respectively. If modifications to existing terms of the existing trade agreement between the United Kingdom and the European Union were to occur, the changes could negatively impact our competitive position, supplier and customer relationships and financial performance.

Intellectual property challenges may hinder our ability to develop and market our products, and we may incur significant costs in our efforts to successfully avoid, manage, defend and litigate intellectual property matters.

Proprietary technologies, customer relationships, trademarks, trade names and brand names are important to our business. Intellectual property protection, however, may not preclude competitors from developing products similar to ours or from challenging our names or products. Further, as we expand on a multi-national level and in some jurisdictions where the protection of intellectual property rights is less robust, the risk of competitors duplicating our proprietary technologies increases. We may need to spend significant resources monitoring our intellectual property rights, and we may or may not be able to detect infringement by third parties. Assertions by or against us relating to intellectual property rights, and any inability to protect these rights, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may face design limitations or liability associated with the use of products for which patent ownership or other intellectual property rights are claimed.

From time to time, we are subject to claims or inquiries regarding alleged unauthorized use of a third party's intellectual property and cannot be certain that the conduct of our business does not and will not infringe the intellectual property rights of others. An adverse outcome in any intellectual property litigation could subject us to significant liabilities to third parties, require us to license technology or other intellectual property rights from others, require us to comply with injunctions to cease marketing or using certain products or brands, or require us to redesign, re-engineer, or re-brand certain products or packaging, any of which could affect our business, financial condition and operating results. Third-party intellectual property rights may also make it more difficult or expensive for us to meet market demand for particular product or design innovations. If we are required to seek licenses under patents or other intellectual property rights of others, we may not be able to acquire these licenses on acceptable terms, if at all. In addition, the cost of responding to an intellectual property infringement claim, in terms of legal fees and expenses and the diversion of management resources, whether or not the claim is valid, could have a material adverse effect on our business, results of operations and financial condition.

Failure, inadequacy, or breach of our information technology systems, infrastructure, and business information or violations of data protection laws could result in material harm to our business and reputation.

A great deal of confidential information owned by us is stored in our information systems, networks, and facilities or those of third parties. This includes valuable trade secrets and intellectual property, corporate strategic plans, marketing plans, customer information, and personally identifiable information, such as employee information (collectively, "confidential information"). We also rely to a large extent on the efficient and uninterrupted operation of complex information technology systems, infrastructure, and hardware (together "IT systems"), some of which are within our control and some of which are within the control of third parties, to accumulate, process, store, and transmit large amounts of confidential information and other data. We are subject to a variety of continuously evolving and developing laws and regulations around the world related to privacy, data protection, and data security. Maintaining the confidentiality, integrity and availability of our IT systems and confidential information is vital to our business.

IT systems are vulnerable to system inadequacies, operating failures, service interruptions or failures, security breaches, malicious intrusions, or cyber-attacks from a variety of sources. Cyber-attacks are growing in their frequency, sophistication, and intensity, and are becoming increasingly difficult to detect, mitigate, or prevent. Cyber-attacks come in many forms, including the deployment of harmful malware, exploitation of vulnerabilities, denial-of-service attacks, the use of social engineering, and other means to compromise the confidentiality, integrity and availability of our IT systems, confidential information, and other data. Breaches resulting in the compromise, disruption, degradation, manipulation, loss, theft, destruction, or unauthorized disclosure or use of confidential information, or the unauthorized access to, disruption of, or interference with our products and services, can occur in a variety of ways, including but not limited to, negligent or wrongful conduct by employees or others with permitted access to our systems and information, or wrongful conduct by hackers, competitors, certain governments, or other current or former company personnel.

The failure or inadequacy of our IT systems, the compromise, disruption, degradation, manipulation, loss, theft, destruction, or unauthorized disclosure or use of confidential information, or the unauthorized access to, disruption of, or interference with our products and services that rely on IT systems, could impair our ability to secure and maintain intellectual property rights; result in a product manufacturing interruption or failure, or in the interruption or failure of products or services that rely on IT systems; damage our operations, customer relationships, or reputation; and cause us to lose trade secrets or other competitive advantages. Unauthorized disclosure of personally identifiable information could expose us to significant sanctions for violations of data privacy laws and regulations around the world and could damage public trust in our company. For example, the GDPR requires companies to meet new requirements regarding the handling of personal data, including its use, protection and transfer and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to meet the GDPR requirements could result in penalties of up to 40% of annual worldwide revenue. The GDPR also confers a private right of action on certain individuals and associations. In addition, the **CCPA CPRA** became effective in January 2020 and has similar requirements to the GDPR.

To date, system inadequacies, operating failures, unauthorized access, service interruptions or failures, security breaches, malicious intrusions, cyber-attacks, and the compromise, disruption, degradation, manipulation, loss, theft, destruction, or unauthorized disclosure or use of confidential information have not had a material impact on our consolidated results of operations. We continue to implement measures in an effort to protect, detect, respond to, and minimize or prevent these risks and to enhance the resiliency of our IT systems; however, these measures may not be successful. If they are not successful, any of these events could result in material financial, legal, business, or reputational harm to our business.

Liquidity Risks

We may seek to incur substantially more indebtedness in the future.

Our degree of leverage could have important consequences for the holders of our Common Stock, including increasing our vulnerability to general economic and industry conditions; requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities; restricting us from making strategic acquisitions or causing us to make non-strategic divestitures, limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged. Any of the above consequences could result in a material adverse effect on our business, financial condition and results of operations.

Our ability to service our indebtedness will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing or delaying capital expenditures, acquisitions and/or selling assets, restructuring or refinancing our indebtedness or seeking additional debt or equity capital or bankruptcy protection. We may not be able to affect any of these remedies on satisfactory terms or at all.

A breach of the terms and conditions of our credit facilities, including the inability to comply with the required financial covenants, could result in an event of default. If an event of default occurs (after any applicable notice and cure periods), the lenders would be entitled to terminate any commitment to make further extensions of credit under our credit facility and to accelerate the repayment of amounts outstanding (including accrued and unpaid interest and fees). Upon a default under our credit facilities, the lenders could also foreclose against any collateral securing such obligations, which may be all or substantially all of our assets. If that occurred, we may not be able to continue to operate as a going concern.

We cannot be certain that additional financing will be available on reasonable terms when required, or at all.

From time to time, we may need additional financing. Our ability to obtain additional financing, if and when required, will depend on investor demand, our operating performance, the condition of the capital markets, and other factors. To the extent we draw on credit facilities, if any, to fund certain obligations, we may need to raise additional funds and we cannot assure investors that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our Common Stock, and existing stockholders may experience dilution.

Our variable rate indebtedness exposes us to interest rate volatility, which could cause our debt service obligations to increase significantly.

Borrowings under our credit facilities are at variable rates of interest and expose us to interest rate volatility. As interest rates increase, our debt service obligations on certain of our variable rate indebtedness will increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease.

Risks Relating to Common Stock

If research analysts issue unfavorable commentary or downgrade our Common Stock, the price of our Common Stock and its trading volume could decline.

The trading market for our Common Stock may depend in part on the research and reports that research analysts publish about us and our business. If we do not maintain adequate research coverage, or if one or more analysts who covers us downgrades our Common Stock or publishes inaccurate or unfavorable research about our business, the price of our Common Stock could decline. If one or more of the research analysts ceases to cover us or fails to publish reports on us regularly, demand for our Common Stock could decrease, which could cause the price or trading volume to decline.

Our stock price has been, and may continue to be, volatile.

The trading price of our Common Stock has been and could continue to be subject to wide fluctuations in response to certain factors, including:

- U.S. and global economic conditions leading to general declines in market capitalizations, with such declines not associated with operating performance.
- Quarter-to-quarter variations in results of operations.
- Our announcements of new products.
- Our announcements of acquisitions or divestitures.
- Our announcements of significant new customers or contracts.
- Our competitors' announcements of new products.
- Our product development.
- Changes in our management team.
- General conditions in our industry.
- Investor perceptions and expectations regarding our products, services, plans and strategic position and those of our competitors and clients.

In addition, the public stock markets experience extreme price and trading volume volatility, particularly in growth sectors of the market. This volatility has significantly affected the market prices of securities of many companies for reasons often unrelated to the operating performance of the specific companies. The broad market fluctuations may adversely affect the market price of our Common Stock.

We may issue additional equity securities or engage in other transactions that could dilute our book value or affect the priority of our Common Stock, which may adversely affect the market price of our Common Stock.

Our articles of incorporation allow our Board to issue up to 100,000,000 shares of Common Stock. Our Board may determine from time to time that we need to raise additional capital by issuing Common Stock or other equity securities. Except as otherwise described in this Annual Report, we are not restricted from issuing additional securities, including securities that are convertible into or exchangeable for, or that represent the right to receive, shares of our Common Stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future offerings, or the prices at which such offerings may be affected. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our Common Stock, or both. Holders of our Common Stock are not entitled to ~~pre-emptive~~ preemptive rights or other protections against dilution. New investors also may have rights, preferences and privileges that are senior to, and that adversely affect, the then-current holders of our Common Stock. Additionally, if we raise additional capital by making offerings of debt or shares of preferred stock, upon our liquidation, holders of our debt securities and shares of preferred stock, and lenders with respect to other borrowings, may receive distributions of our available assets before the holders of our Common Stock.

We may issue shares of preferred stock with greater rights than our Common Stock.

Subject to the rules of The Nasdaq Stock Market, our articles of incorporation authorize our ~~board of directors~~ Board to issue one or more series of preferred stock and set the terms of the preferred stock without seeking any further approval from holders of our Common Stock. Any preferred stock that is issued may rank ahead of our Common Stock in

terms of dividends, priority and liquidation premiums and may have greater voting rights than our Common Stock.

We have not paid any cash dividends in the past and have no plans to issue cash dividends in the future, which could cause our Common Stock to have a lower value than that of similar companies which do pay cash dividends.

We have not paid any cash dividends on our Common Stock to date and do not anticipate any cash dividends being paid to holders of our Common Stock in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board.

While our dividend policy will be based on the operating results and capital needs of the business, it is anticipated that any earnings will be retained to finance our future expansion. As we have no plans to issue cash dividends in the future, our Common Stock could be less desirable to other investors and as a result, the value of our Common Stock may decline, or fail to reach the valuations of other similarly situated companies that pay cash dividends.

Shares eligible for future sale may depress our stock price.

As of February 28, 2023 February 28, 2024, we had 27,616,064 27,631,097 shares of Common Stock outstanding of which 5,257,982 2,616,697 shares were held by affiliates. All of the shares of Common Stock held by affiliates are restricted or control controlled securities under Rule 144 promulgated under the Securities Act of 1933 as amended (the "Securities Act"). Sales of shares of Common Stock under Rule 144 or another exemption under the Securities Act or pursuant to a registration statement could have a material adverse effect on the price of our Common Stock and could impair our ability to raise additional capital through the sale of equity securities. Furthermore, all Common Stock beneficially owned by persons who are not our affiliates and have beneficially owned such shares for at least one year may be sold at any time by these existing stockholders in accordance with Rule 144 of the Securities Act. However, there can be no assurance that any of these existing stockholders will sell any or all of their Common Stock and there may be a lack of supply of, or demand for, our Common Stock on The Nasdaq Stock Market. In the case of a lack of supply of our Common Stock offered in the market, the trading price of our Common Stock may rise to an unsustainable level, particularly in instances where institutional investors may be discouraged from purchasing our Common Stock because they are unable to purchase a block of our Common Stock in the open market due to a potential unwillingness of our existing stockholders to sell the amount of Common Stock at the price offered by such investors and the greater influence individual investors have in setting the trading price. In the case of a lack of market demand for our Common Stock, the trading price of our Common Stock could decline significantly and rapidly after our listing.

Your percentage of ownership in our Common Stock may be diluted in the future.

In the future, the percentage ownership in our Common Stock owned by our stockholders may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including equity awards that we expect to be granting to our directors, officers and employees. Such issuances may have a dilutive effect on our earnings per share, which could materially adversely affect the market price of our Common Stock.

Anti-takeover provisions could make a third party third-party acquisition of us difficult.

Our bylaws eliminate the ability of stockholders to call special meetings or take action by written consent. These provisions in our bylaws could make it more difficult for a third party to acquire us without the approval of our board. In addition, the Nevada corporate statute also contains certain provisions that could make an acquisition by a third party more difficult.

Our directors and officers have substantial control over us.

Our directors and executive officers, together with their affiliates and related persons, beneficially owned, in the aggregate, approximately 19.0% 9.5% of our outstanding Common Stock as of February 28, 2023 February 28, 2024. These stockholders have the ability to substantially control our operations and direct our policies including the outcome of matters submitted to our stockholders for approval, such as the election of directors and any acquisition or merger, consolidation or sale of all or substantially all of our assets.

Our bylaws provide that the state and federal courts located in Bexar County, Texas will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provide that, with certain limited exceptions, unless we consent in writing to the selection of an alternative forum, the state and federal courts located in Bexar County, Texas will be the sole and exclusive forum for any stockholder (including any beneficial owner) to bring any (i) derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of, or a claim based on, breach of a fiduciary duty owed by any current or former director, officer, employee or stockholder to us or our stockholders, (iii) any action asserting a claim against us or any current or former director, officer, employee or stockholder arising pursuant to any provision of Chapters 78 and 92 of the Nevada Revised Statutes or our articles of incorporation or bylaws or (iv) any action asserting a claim against us or any current or former director, officer, employee or stockholder (including any beneficial owner of stock) governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in our Common Stock is deemed to have notice of and consented to the foregoing provisions. This choice of forum provision may limit a stockholder's ability to bring claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations. The choice of forum provision does not apply to any actions arising under the Securities Act or the Securities Exchange Act.

General Risk Factors

Pandemics have in the past and may in the future have a significant negative impact on our financial condition and operations.

Pandemics have in the past and may in the future have a significant impact on our financial condition and operations. Authorities in jurisdictions where we operate, or in which our suppliers, customers, or others operate, have imposed and businesses and individuals have implemented, varied measures to try to manage or contain the COVID-19 virus or treat its impact, such as travel bans and restrictions, quarantines, shelter-in-place/stay-at-home and social distancing orders, shutdown, and vaccine requirements. These measures have impacted and may further impact our workforce and operations, the operations and demands of our customers, and those of our respective suppliers and partners.

The degree to which COVID-19 or other pandemics impact our results will depend on future developments, and there is no certainty that measure we have taken or will take will be sufficient to mitigate the risks imposed by the pandemic.

General global economic and business conditions affect demand for our products.

We compete in various geographic regions and markets around the world. We expect to experience fluctuations in revenue and results of operations due to economic and business cycles. Important factors for our business and the businesses of our customers include the overall strength of the economy and our customers' confidence in the economy, unemployment rates, availability of consumer financing and interest rates. Our products and services are discretionary purchases for most consumers. Consumers are generally more willing to make discretionary purchases on products and services such as ours during periods of favorable general economic conditions. While we attempt to minimize our exposure to economic or market fluctuations by offering a balanced mix of end markets and geographic regions, any of the above factors, individually or in the aggregate, or a significant or sustained downturn in a specific end market or geographic region could reduce demand for our products and services, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

A public health crisis could impact our business

A public health crisis, including a pandemic, similar in nature to the coronavirus disease, could impact all geographic regions where we sell or produce products, creating business disruptions that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Economic, political and market conditions can adversely affect our business, financial condition and results of operations.

Macroeconomic developments, such as the impact of the Russo-Ukrainian war, Israeli-Hamas conflict, elevated inflation, higher interest rates, restrictive trade policies or the occurrence of events that lead to uncertainty or instability in economic, political or market conditions, could have a material adverse effect on our business, financial condition and results of operations. Political issues and conflicts could have a material adverse effect on our results of operations and financial condition if they affect geographies in which we do business or obtain our materials or components. Wars or conflicts could have a significant adverse impact on regional or global macroeconomic conditions, give rise to regional instability or result in heightened economic tariffs, sanctions and import-export restrictions that may cause material business interruptions or restrict our ability to conduct business with certain suppliers.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

The Company maintains a cyber risk management program designed to identify, assess, manage, mitigate, and respond to cybersecurity threats. This program is integrated within the Company's enterprise risk management system and addresses all aspects of the corporate information technology environment.

The underlying controls of the cyber risk management program are based on recognized best practices and standards for cybersecurity and information technology, including those set forth in the International Organization Standardization ("ISO") 27001 standard. The Company has an annual assessment, performed by a third party, of the Company's cyber risk management program against this standard.

The Company employs a third-party organization to conduct 24/7 monitoring of its global cybersecurity environment and to coordinate the investigation and remediation of alerts. A program for staging incident response drills is in place to prepare support teams in the event of a significant incident.

External partners are a key part of the Company's cybersecurity infrastructure. XPEL partners with leading cybersecurity companies and organizations, leveraging third-party technology and expertise to control and monitor our processes.

The Director of Enterprise Systems leads the Company's cybersecurity program. The Director of Enterprise Systems assesses and manages XPEL's cyber risk management program, informs senior management regarding the prevention, detection, mitigation, and remediation of cybersecurity incidents and supervises such efforts. The Director of Enterprise manages the third service party service provider engaged to monitor the Company's cybersecurity environment and is regularly updated by the third party service providers on the cybersecurity activities. The Directory of Enterprise Systems has 21 years of experience in information technology and is supported by a team with additional relevant experience and related certifications.

The Audit Committee of the Board oversees XPEL's cybersecurity risk exposures and the steps taken by management to monitor and mitigate cybersecurity risks. The Director of Enterprise Systems briefs the Audit Committee on the effectiveness of the Company's cyber risk management program, typically on a quarterly basis.

XPEL faces risks from cybersecurity threats that could have a material adverse effect on its business, financial condition, results of operations, cash flows or reputation. The Company has experienced, and will continue to experience, cyber incidents in the normal course of its business. However, prior cybersecurity incidents have not had a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

Item 2. Properties

Our principal office is located in leased premises in San Antonio, Texas. Our operations are conducted in facilities throughout North America, Europe, Asia and Asia. Australia. These facilities house production, distribution and operations, installation services, sales and marketing, and administrative functions. A summary of our principal facilities as of December 31, 2022 December 31, 2023 is set forth in the chart below.

Country	Administrative, Training, and Leased			
	Installation and Sales	Warehouse	Other	Square
Country or Region	Locations	Locations	Locations	Footage
Country or Region	Installation and Sales Locations	Warehouse Locations	Administrative, Training, and Other Locations	Leased Square Footage

United States	United States	8	4	1	273,342
Continental Europe	Continental Europe	1	1	2	85,360
Canada	Canada	3	3	1	42,379
Mexico	Mexico	—	1	—	13,659
United Kingdom	United Kingdom	1	1	—	14,835
Taiwan	Taiwan	1	—	—	6,381
Asia Pacific					

We believe that our facilities are suitable for their purpose and are sufficient to support our current business needs.

Item 3. Legal Proceedings

From 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.

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 an 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 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Common Stock is traded on The Nasdaq Stock Market LLC under the symbol "XPEL".

Holders

As of February 28, 2023 February 28, 2024, there were 11 stockholders of record. This number of stockholders does not include shares held in "street name."

Dividend Policy

Holders of our Common Stock are entitled to receive such dividends as declared by our Board. No dividends have been paid with respect to our Common Stock and no dividends are anticipated to be paid in the foreseeable future. Any future decisions as to payment of dividends will be at the discretion of our Board, subject to applicable law.

Stock Performance

The information contained in the following graph shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

The following data and graph show a comparison of the cumulative total stockholder return for XPEL's common stock, the Russell 2000 Index and the S&P 500 Index from July 19, 2019 (the date our Common Stock began trading on the Nasdaq Stock Market) December 31, 2019 through December 31, 2022 December 31, 2023. The data assumes a hypothetical investment of \$100 on July 19, 2019 in our common stock and each of the indices, and reinvestment of any dividends. The historical stock performance presented below is not intended to and may not be indicative of future stock performance.

We have chosen to use the Russell 2000 Index rather than an industry or line-business index because we do not believe our company is comparable to companies in a particular industry or line-of-business such as after-market automotive or consumer discretionary product companies and we have not used a peer group of companies because our major competitors are either much larger than we are and their competitive products constitute small lines of business for these companies or other competitors are private companies.

 Stock Performance Comparison.jpg

Purchases of Equity Securities

In the year ended December 31, 2022 December 31, 2023 we did not repurchase any shares of our Common Stock.

Item 6. [Reserved]**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations****Executive Summary**

Set forth below is summary financial information for the years ended **December 31, 2022**, **December 31, 2023**, **2021**, **2022**, and **2020**, **2021**. This information is not necessarily indicative of results of future operations, and should be read in conjunction with Part I, Item 1A, "Risk Factors," Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes thereto included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report to fully understand factors that may affect the comparability of the information presented below (dollars in thousands).

	Year Ended December 31,						% Change	
	2022		2021		2020		2022 vs. 2021	2021 vs. 2020
	\$	% of Total Revenue	\$	% of Total Revenue	\$	% of Total Revenue		
Total revenue	\$ 323,993	100.0 %	\$ 259,263	100.0 %	\$ 158,924	100.0 %	25.0 %	63.1 %
Total cost of sales	196,481	60.6 %	166,586	64.3 %	104,899	66.0 %	17.9 %	58.8 %
Gross margin	127,512	39.4 %	92,677	35.7 %	54,025	34.0 %	37.6 %	71.5 %
Total operating expenses	73,575	22.7 %	52,561	20.3 %	30,655	19.3 %	40.0 %	71.5 %
Operating income	53,937	16.6 %	40,116	15.5 %	23,370	14.7 %	34.5 %	71.7 %
Other expenses	1,972	0.6 %	676	0.3 %	565	0.4 %	191.7 %	19.5 %
Income tax	10,584	3.3 %	7,873	3.0 %	4,523	2.8 %	34.4 %	74.1 %
Net income	\$ 41,381	12.8 %	\$ 31,567	12.2 %	\$ 18,282	11.5 %	31.1 %	72.7 %

	Year Ended December 31,						% Change	
	2023		2022		2021		2023 vs. 2022	2022 vs. 2021
	\$	% of Total Revenue	\$	% of Total Revenue	\$	% of Total Revenue		
Total Revenue	\$ 396,293	100.0 %	\$ 323,993	100.0 %	\$ 259,263	100.0 %	22.3 %	25.0 %
Total Cost of Sales	233,879	59.0 %	196,481	60.6 %	166,586	64.3 %	19.0 %	17.9 %
Gross Margin	162,414	41.0 %	127,512	39.4 %	92,677	35.7 %	27.4 %	37.6 %
Total Operating Expenses	95,442	24.1 %	73,575	22.7 %	52,561	20.3 %	29.7 %	40.0 %
Operating Income	66,972	16.9 %	53,937	16.6 %	40,116	15.5 %	24.2 %	34.5 %
Other Expenses	941	0.2 %	1,972	0.6 %	676	0.3 %	(52.3)%	191.7 %
Income Tax	13,231	3.3 %	10,584	3.3 %	7,873	3.0 %	25.0 %	34.4 %
Net Income	\$ 52,800	13.3 %	\$ 41,381	12.8 %	\$ 31,567	12.2 %	27.6 %	31.1 %

Company Overview

The 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.

Trends and Uncertainties

Macroeconomic uncertainties persist in the U.S. and other parts of the world as inflation, rising interest rates and the strengthening of the U.S. Dollar relative to major currencies affected the economic environment and consumer behaviors in 2022. Additionally, while we have not experienced any material supply chain disruptions directly, the automobile industry has experienced component shortages, increased lead times, cost fluctuations and logistic constraints. Some or all of these could persist into 2023. This economic uncertainty could impact vehicle sales in the U.S. or other parts of the world which could adversely affect our business, results of operations and financial condition.. See Risk Factors - *"We are highly dependent on the automotive industry. A prolonged or material contraction in the automotive sales and production volumes could adversely affect our business, results of operations and financial condition."*

The Chinese government recently modified its approach to managing the COVID-19 pandemic when it halted its prolonged lockdown. Consequently, China is experiencing rampant increases in COVID-19 cases. If COVID-19 continues to persist over the long-term, it could continue to have an adverse effect on our China sales. Refer to Risk Factors - *"A significant percentage of our revenue is generated from our business in China, a market that is associated with certain risks."*

Finally, while Russia's invasion of Ukraine has not had a material direct impact on our business, the nature and degree of the effects of that conflict, as well as the other effects of the current business environment over time remain uncertain. See Risk Factors- *"We are exposed to political, regulatory, economic and other risks that arise from operating a multinational business."*

Our 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").

The following table is a reconciliation of Net income to EBITDA for the years ended December 31, 2022, December 31, 2023, 2021, 2022, and 2020, 2021 (dollars in thousands):

		% of Total Revenue		% of Total Revenue		% of Total Revenue													
		2022		2021		2020						% of Total Revenue		% of Total Revenue		% of Total Revenue			
2023								2023						2022		2021			
Net Income	Net Income	\$41,381	12.8 %	\$31,567	12.2 %	\$18,282	11.5 %	Net Income	\$52,800	13.3 %	13.3 %	\$41,381	12.8 %	12.8 %	\$31,567	12.2 %	12.2 %		
Interest	Interest	1,410	0.4 %	303	0.1 %	249	0.2 %	Interest	1,248	0.3 %	0.3 %	1,410	0.4 %	0.4 %	303	0.1 %	0.1 %		
Taxes	Taxes	10,584	3.3 %	7,873	3.0 %	4,523	2.8 %	Taxes	13,231	3.3 %	3.3 %	10,584	3.3 %	3.3 %	7,873	3.0 %	3.0 %		
Depreciation	Depreciation	3,433	1.1 %	1,887	0.7 %	1,274	0.8 %	Depreciation	4,534	1.1 %	1.1 %	3,433	1.1 %	1.1 %	1,887	0.7 %	0.7 %		
Amortization	Amortization	4,401	1.4 %	2,501	1.0 %	956	0.6 %	Amortization	5,059	1.3 %	1.3 %	4,401	1.4 %	1.4 %	2,501	1.0 %	1.0 %		
EBITDA	EBITDA	\$61,209	18.9 %	\$44,131	17.0 %	\$25,284	15.9 %	EBITDA	\$76,872	19.4 %	19.4 %	\$61,209	18.9 %	18.9 %	\$44,131	17.0 %	17.0 %		

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, 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.

Results of Operations

The following tables summarize revenue results for the years ended December 31, 2022, December 31, 2023, 2021, 2022 and 2020, 2021 (dollars in thousands):

		Year Ended December 31,			% Change		% of Total Revenue			
					2022	2021				
					vs.	vs.				
		2022	2021	2020	2021	2020	2022	2021	2020	
Year Ended December 31,									Year Ended D	
2023									2023	2022
Product Revenue	Product Revenue									
Paint protection film	Paint protection film									
Paint protection film	Paint protection film									
Paint protection film	Paint protection film	\$192,374	\$169,880	\$110,786	13.2 %	53.3 %	59.4 %	65.5 %	69.7 %	
		\$229,880								

Window film	Window film	54,370	38,363	20,951	41.7 %	83.1 %	16.8 %	14.8 %	13.2 %	Window film	67,951	54,370	54,370	38,363	38,363		
Other	Other	11,430	9,040	4,525	26.4 %	99.8 %	3.5 %	3.5 %	2.8 %	Other	13,575	11,430	11,430	9,040	9,040		
Total	Total	\$258,174	\$217,283	\$136,262	18.8 %	59.5 %	79.7 %	83.8 %	85.7 %	Total	\$311,406	\$	\$258,174	\$	\$217,283		
Service Revenue	Service Revenue																
Service Revenue																	
Software																	
Software																	
Software	Software	\$ 5,213	\$ 4,373	\$ 3,489	19.2 %	25.3 %	1.6 %	1.7 %	2.2 %	\$ 6,518	\$	\$ 5,213	\$	\$ 4,373	25.0 %		
Cutbank credits	Cutbank credits	16,317	12,372	7,785	31.9 %	58.9 %	5.0 %	4.8 %	4.9 %	Cutbank credits	17,626	16,317	16,317	12,372	12,372		
Installation labor	Installation labor	42,828	24,253	10,925	76.6 %	122.0 %	13.2 %	9.4 %	6.9 %	Installation labor	58,477	42,828	42,828	24,253	24,253		
Training and other	Training and other	1,461	982	463	48.8 %	112.1 %	0.5 %	0.3 %	0.3 %	Training and other	2,266	1,461	1,461	982	982		
Total	Total	\$ 65,819	\$ 41,980	\$ 22,662	56.8 %	85.2 %	20.3 %	16.2 %	14.3 %	Total	\$ 84,887	\$	\$ 65,819	\$	\$ 41,980		
Total	Total	\$323,993	\$259,263	\$158,924	25.0 %	63.1 %	100.0 %	100.0 %	100.0 %								
Total																	
Total											\$396,293					\$323,993	\$259,263

demand in non-China regions was driven by both an increase new customer additions and revenue growth in the number of customers and increased revenue from our existing customers.

Revenue from our window film product line grew 41.7% 25.0% in the year ended December 31, 2022 December 31, 2023 and represented 16.8% 17.1% of our consolidated annual 2022 2023 revenue. This product line contains includes both automotive and architectural window film. Automotive window film grew 37.1% 20.2% to \$48.7 million \$58.5 million for the year ended December 31, 2022 December 31, 2023. This increase was due to continued channel focus, increased product adoption in multiple regions and increased demand. Architectural window film revenue increased 98.2% 65.9% to \$5.7 million \$9.5 million. This increase was due mainly to increased product awareness and adoption in most of our regions.

Other product revenue for the year ended December 31, 2023 grew 18.8% to \$13.6 million and represented 3.5% of total consolidated revenue. This increase was driven by an increase in demand for our non-film related products such as ceramic coating, plotters, chemicals and other film installation tools and accessories. Our FUSION ceramic coating product revenue grew 51.7% to \$6.2 million. This increase was driven primarily by increased channel focus and increased demand for our ceramic coating products.

Geographically, we experienced growth in many regions during the year. The U.S. and Canadian markets are our most mature markets. Our continued strong growth in these markets was being driven primarily by increased paint protection film attachment rates. Outside of these more mature markets, our continued strong growth was driven by increased product awareness and adoption. An exception to this generally positive trend was our market in China, which saw repeated disruptions during the year as a result of ongoing COVID-related impacts.

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. During 2022 2023, service revenue grew 56.8% 29.0% over service revenue for the year ended December 31, 2021 December 31, 2022.

Within the service revenue category, software revenue increased 19.2% 25.0% from the year ended December 31, 2021 December 31, 2022. This increase was due primarily to increases in customers subscribing to our software. Cutbank credit revenue grew 31.9% 8.0% from the year ended December 31, 2021 December 31, 2022. This increase was due primarily to the aforementioned increases in demand for our products and services. Installation labor revenue increased 76.6% 36.5% from the year ended December 31, 2021 December 31, 2022, due mainly to acquisition related revenue growth coupled with strong demand across our dealership service and OEM businesses and at our Company-owned installation facilities and across our dealer service and OEM network.

facilities. Training revenue increased 48.8% 55.1% from the year ended December 31, 2021 December 31, 2022 as we continue to grow our global training presence.

Total installation revenue (labor and product combined) at our Company-owned installation centers for the year ended December 31, 2022 December 31, 2023 increased 76.6% 36.5% over the year ended December 31, 2021. Same store sales growth was approximately 40.5% from the year ended December 31, 2022. Adjusted product revenue, which combines the cutbank credit revenue service component with product revenue, increased by 19.5% 19.9% from the year ended December 31, 2021 December 31, 2022 due mainly to the same factors described previously.

Cost of Sales

Cost of sales consists of product costs and the costs to provide our services. Product costs consist of material costs, certain personnel costs, shipping costs, warranty costs and other costs related to providing products to our customers. Cost of service includes the labor costs associated with installation of product in our Company-owned facilities and across our dealer-service network, costs of labor associated with pattern design for our film-cutting software and the costs incurred to provide training for our customers. Product costs in the year ended December 31, 2022 December 31, 2023 increased 12.3% 16.5% over the year ended December 31, 2021 December 31, 2022 commensurate with the growth in product revenue. Cost of service revenue grew 73.7% 35.0% during the year ended December 31, 2022 December 31, 2023. The increase was due primarily to increased labor costs associated with our dealership services businesses acquired in 2021, expanding installation business.

Gross Margin

The following table summarizes gross margin for product and services for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 (dollars in thousands):

Year Ended December 31,										Year Ended December 31,													
					% Change		% of Category Revenue																
					2022	2021																	
					vs.	vs.																	
					2021	2020																	
					2022	2021	2020	2021	2020	2022	2021	2020											
Year Ended December 31,										Year Ended December 31,													
																				2023 vs. 2022		2022 vs. 2021	
2023										2023										2022		2021	
Product	Product	\$ 88,269	\$ 65,997	\$ 37,760	33.7 %	74.8 %	34.2 %	30.4 %	26.7 %	Product	\$ 113,398	\$ 88,269	\$ 65,997	28.5	28.5	% 33.7	% 47.1						
Service	Service	39,243	26,680	16,265	47.1 %	64.0 %	59.6 %	63.6 %	71.8 %	Service	49,016	39,243	26,680	26,680	24.9	24.9	% 47.1						
Total	Total	\$ 127,512	\$ 92,677	\$ 54,025	37.6 %	71.5 %	39.4 %	35.7 %	34.0 %	Total	\$ 162,414	\$ 127,512	\$ 92,677	27.4	27.4	% 37.6	% 47.1						

2021, 2022, respectively. The increase in product gross margin percentages was primarily due to improved decreases in product costs, lower percentage of sales to lower margin distributors (primarily our China Distributor), and favorable changes in product mix, mix and improved operating leverage.

Service gross margin increased approximately \$12.6 million \$9.8 million for the year ended December 31, 2022 December 31, 2023, and represented 59.6% 57.7% and 63.6% 59.6% of total service revenue for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The decrease in service gross margin percentage was primarily due to a higher percentage of lower margin installation labor revenue relative to other higher margin service revenue components.

Operating Expenses

Sales and marketing expenses for the year ended December 31, 2022 December 31, 2023 increased 38.8% 25.3% compared to 2021, 2022. These expenses represented 7.8% 8.0% and 7.0% 7.8% of consolidated revenue for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. This increase was due mainly to increased personnel, increased expenses related and additional marketing projects intended to marketing events that were suspended in 2021 due to COVID-19 and travel related expenses to support the on-going growth increase awareness of the business, our brand globally.

General and administrative expenses grew approximately \$13.9 million \$15.4 million, or 40.6% 32.0%, during the year ended December 31, 2022 December 31, 2023. These costs represented 14.9% 16.1% and 13.2% 14.9% of total consolidated revenue for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase was due mainly to increases in personnel, occupancy costs, information technology costs, research and development costs and professional fees to support the ongoing growth of the business.

business and acquisition related expenses including amortization associated with the intangible assets acquired in 2021.

Other Expense

Other expense consists of interest expense and foreign currency gain/loss. Interest expense increased during the year as a result of increased borrowings and increased interest rates under the Company's line of credit facility. Foreign currency exchange loss increased during the year due to fluctuations in the various currencies in which we conduct business.

Income Tax Expense

Our provision for income taxes increased 34.4% was \$13.2 million in the year ended December 31, 2023 as compared to \$10.6 million in the year ended December 31, 2022 as compared to the year ended December 31, 2021, primarily due to the increase in our pre-tax income year over year. Our effective income tax rates for the years ended December 31, 2022 December 31, 2023 and 2021 2022 were 20.4% 20.0% and 20.0% 20.4%, respectively. The increase in our effective rate was primarily due to the impact of international operations. See Note 14 of the Notes to our Consolidated Financial Statements for further information.

Net Income

Net income for the year ended December 31, 2022 December 31, 2023 increased by 31.1% 27.6% to \$41.4 million \$52.8 million compared to the prior year due primarily to continued strong revenue growth and improved margins.

Liquidity and Capital Resources

The primary source sources of liquidity for our business is are available cash and cash equivalents, and cash flows provided by operations, operations, and borrowings under our credit facilities. As of December 31, 2022 December 31, 2023, we had cash and cash equivalents of \$8.1 million. For \$11.6 million, for the year ended December 31, 2022 December 31, 2023, cash flows provided by operations were \$12.1 million. \$37.4 million, and as of December 31, 2023 we had approximately \$109.4 million in funds available under our credit facilities. We expect to continue to have sufficient access to cash to support working capital needs, capital expenditures (including acquisitions), and to pay interest and service debt. We believe we have the ability and sufficient resources to meet these cash requirements by using available cash, internally generated funds and borrowing under committed credit facilities. 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 Annual Report.

Operating activities. Cash flows provided by operations totaled approximately \$37.4 million for the year ended December 31, 2023, compared to \$12.1 million for the year ended December 31, 2022, compared to \$18.3 million for the year ended December 31, 2021. The decrease increase in operating cash flows for the year ended December 31, 2022 December 31, 2023 was driven primarily by changes in working capital and increased inventory purchases to offset supply chain risk. This decrease was partially offset by an increase in operating earnings, earnings and a reduction in inventory purchases.

Investing activities. Cash flows used in investing activities totaled approximately \$14.2 million \$26.4 million during the year ended December 31, 2022 December 31, 2023 compared to cash use of \$56.8 million \$14.2 million for the year ended December 31, 2021 December 31, 2022. This decrease increase in cash used was due mainly to less additional cash outlay for acquisitions in 2022, 2023.

Financing activities. Cash flows provided by used in financing activities during the year ended December 31, 2022 December 31, 2023 totaled approximately \$0.6 million \$7.3 million compared \$19.2 million to cash provided by financing activities of \$0.6 million in the prior year. This decrease use of cash was due primarily to less incremental borrowing net repayments on our committed credit facilities.

Debt obligations, including balances outstanding on committed credit facilities and contingent liabilities, as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 totaled approximately \$26.1 million \$19.9 million and \$25.5 million \$27.0 million, respectively.

Future liquidity and capital resource requirements

We 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. 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, pay contingent liabilities as they are earned, and repay 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 Facilities

The Company has a revolving credit facility providing for secured revolving loans and letters of credit in an aggregate amount of up to \$125.0 million, which is subject to the terms of a credit agreement dated April 6, 2023 (the "Credit Agreement"). As of December 31, 2022, December 31, 2023, we the Company had a \$75.0 million revolving line an outstanding balance of credit agreement with a financial institution. The facility is used to fund the Company's working capital needs and other strategic initiatives, and is secured by substantially all the Company's current and future assets. Borrowings \$19.0 million under the credit agreement bear interest on borrowed amounts at the Wall Street Journal U.S. Prime Rate less 0.75% per annum if the Company's EBITDA ratio (as defined in the facility) is equal to or less than 2.00 to 1.00 or the Wall Street Journal U.S. Prime rate less 0.25% if the Company's EBITDA ratio is greater than 2.00 to 1.00. The interest rate for this credit facility as of December 31, 2022 was 6.75%. The Company paid interest charges on borrowings under the facility of \$1.3 million during the year ended December 31, 2022. agreement. As of December 31, 2022, the Company had borrowed \$26.0 million an outstanding balance of \$26.0 million under a prior credit agreement which was subsequently repaid and terminated.

Borrowings under the Credit Agreement bear interest, at XPEL'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 December 31, 2023, these rates were 6.5% and 6.4%, respectively. Both the margin applicable to the interest rate and the commitment fee are dependent on XPEL's Consolidated Total Leverage Ratio. The Credit Agreement's maturity date is April 6, 2026. All capitalized terms in this line description of credit. This the credit facility matures on July 5, 2024. 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 XPEL's material property and assets.

The Loan terms of the Credit Agreement governing the facility contains customary include certain affirmative and negative covenants relating that require, among other things, XPEL to maintaining maintain legal existence and remain in good standing, complying comply with applicable laws, delivery of maintain accounting records, deliver financial statements payment of and certifications on a timely basis, pay taxes as required by law, and maintaining insurance. The Loan Agreement contains two financial maintain insurance coverage, as well as to forgo certain specified future activities that might otherwise encumber XPEL and certain customary covenants. The Company must maintain Credit Agreement provides for 2 financial covenants, as follows.

As of the last day of each fiscal quarter:

1. Senior Funded Debt divided (as defined in the Loan Agreement) by EBITDA (as defined in the Loan Agreement) at or below XPEL shall not allow its Consolidated Total Leverage Ratio to exceed 3.50 : 1.00, when tested at the end of each fiscal quarter on a rolling four-quarter basis, and
2. A minimum Debt Service XPEL shall not allow its Consolidated Interest Coverage Ratio (as defined in the Loan Agreement) of 1.25 : 1.00 at the end of each fiscal quarter when measured on a rolling four-quarter basis. to be less than 3.00 to 1.00.

XPEL Canada Corp., a wholly-owned subsidiary of XPEL, Inc., also has a CAD \$4.5 million revolving credit facility through HSBC Bank Canada. This facility is utilized to fund our working capital needs in Canada. This facility bears interest at HSBC Canada Bank's prime rate plus 0.25% per annum and is guaranteed by the parent company. As of December 31, 2022, December 31, 2023 and December 31, 2021, December 31, 2022, no balance was outstanding on this facility.

Critical Accounting Estimates

We have adopted various accounting policies to prepare the consolidated financial statements in accordance with U.S. GAAP. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. We identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our consolidated financial statements.

Certain of the most critical estimates that require significant judgment are as follows:

Business Combinations

The accounting for a business combination requires the excess of the purchase price for the acquisition over the net book value of assets acquired to be allocated to the identifiable assets of the acquired entity. Any unallocated portion is recognized as goodwill. We engaged an independent third-party valuation specialist to assist with the fair value allocation of the purchase price paid for our various acquisitions to intangible assets. This required the use of several estimates and assumptions including the customer attrition rate, forecasted cash flows attributable to existing customers, the discount rate for the customer relationship intangible asset and future royalties, contributory asset charges, and forecasted revenue growth rates. Although we believe the assumptions and estimates made were reasonable and appropriate, these estimates require judgment and are based in part on historical experience and information obtained from the management of the acquired entities.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis. We record inventory write-downs for scrap and excess or obsolete inventories based on assumptions about historical demand calculations, forecasted usage, estimated customer requirements and product line updates. These assumptions are inherently uncertain and changes in our estimates and assumptions may cause us to realize material write-downs in the future.

Recently Adopted Accounting Pronouncements and Accounting Pronouncements Not Yet Adopted

Refer to Note 1 to the Consolidated Financial Statements for discussion of recently adopted accounting standards and accounting standards not yet adopted.

Related Party Relationships

There 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 7A. Quantitative and Qualitative Disclosures about Market Risk

We have operations that expose us to currency risk in the British Pound Sterling, the Canadian Dollar, the Euro, the Mexican Peso, the New Taiwanese Dollar, and the Australian Dollar. Amounts invested in our foreign operations are translated into U.S. Dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as accumulated other comprehensive income, a component of stockholders' equity in our consolidated balance sheets. We do not currently hedge our exposure to potential foreign currency translation adjustments.

Borrowings under our revolving lines of credit subject us to market risk resulting from changes in interest rates related to our floating rate bank credit facilities. For such borrowings, a hypothetical 200 basis point increase in variable interest rates may result in a material impact 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 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of XPEL, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of XPEL, Inc. and subsidiaries (the "Company") as of **December 31, 2022** **December 31, 2023** and **2021, 2022 and** the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows, for each of the **two three** years in the period ended **December 31, 2022** **December 31, 2023**, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of **December 31, 2022** **December 31, 2023** and **2021, 2022** and the results of its operations and its cash flows for each of the **two three** years in the period ended **December 31, 2022** **December 31, 2023**, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of **December 31, 2022** **December 31, 2023**, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated **February 28, 2023** **February 28, 2024**, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis,

evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Deloitte & Touche LLP

Austin, Texas
February 28, 2023 2024

We have served as the Company's auditor since 2021.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of XPEL, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows of XPEL, Inc. (the "Company") for the year ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of their operations and their cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provided a reasonable basis for our opinion.

/s/ Baker Tilly US, LLP

We served as the Company's auditor from 2018 to 2021.

Minneapolis, Minnesota

March 11, 2021

XPEL, Inc.

Consolidated Balance Sheets

(In thousands except share and per share data)

		December 31, 2022		December 31, 2021	
		December 31, 2023		December 31, 2023	
		December 31, 2023		December 31, 2023	
		December 31, 2023		December 31, 2023	
Assets					
Assets					
Assets	Assets				
Current	Current				
Current					
Current					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	\$	8,056	\$	9,644
Accounts receivable, net	Accounts receivable, net		14,726		13,159
Accounts receivable, net					
Accounts receivable, net					
Inventory, net					
Inventory, net					
Inventory, net	Inventory, net		80,575		51,936
Prepaid expenses and other current assets	Prepaid expenses and other current assets		3,464		3,672
Prepaid expenses and other current assets					
Prepaid expenses and other current assets					
Income tax receivable					
Income tax receivable					
Income tax receivable	Income tax receivable		—		617
Total current assets	Total current assets		106,821		79,028
Total current assets					
Total current assets					
Property and equipment, net					
Property and equipment, net					
Property and equipment, net	Property and equipment, net		14,203		9,898
Right-of-use lease assets	Right-of-use lease assets		15,309		12,910
Right-of-use lease assets					
Right-of-use lease assets					
Intangible assets, net					
Intangible assets, net					
Intangible assets, net	Intangible assets, net		29,294		32,733
Other non-current assets	Other non-current assets		972		791
Other non-current assets					
Other non-current assets					
Goodwill					
Goodwill					
Goodwill	Goodwill		26,763		25,655
Total assets	Total assets	\$	193,362	\$	161,015
Total assets					
Total assets					
Liabilities	Liabilities				

Liabilities			
Liabilities			
Current			
Current			
Current	Current		
Current portion of notes payable	Current portion of notes payable	\$ 77	\$ 375
Current portion of notes payable			
Current portion of notes payable			
Current portion of lease liabilities			
Current portion of lease liabilities			
Current portion of lease liabilities	Current portion of lease liabilities	3,885	2,978
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	22,970	32,915
Accounts payable and accrued liabilities			
Accounts payable and accrued liabilities			
Income tax payable			
Income tax payable			
Income tax payable	Income tax payable	470	—
Total current liabilities	Total current liabilities	27,402	36,268
Total current liabilities			
Total current liabilities			
Deferred tax liability, net			
Deferred tax liability, net			
Deferred tax liability, net	Deferred tax liability, net	2,049	2,748
Other long-term liabilities	Other long-term liabilities	1,070	2,631
Other long-term liabilities			
Other long-term liabilities			
Borrowings on line of credit			
Borrowings on line of credit			
Borrowings on line of credit	Borrowings on line of credit	26,000	25,000
Non-current portion of lease liabilities	Non-current portion of lease liabilities	12,119	9,830
Non-current portion of lease liabilities			
Non-current portion of lease liabilities			
Non-current portion of notes payable			
Non-current portion of notes payable			
Non-current portion of notes payable	Non-current portion of notes payable	—	76
Total liabilities	Total liabilities	68,640	76,553
Total liabilities			
Total liabilities			
Commitments and Contingencies (Note 15)			
Commitments and Contingencies (Note 15)			
Commitments and Contingencies (Note 15)	Commitments and Contingencies (Note 15)		
Stockholders' equity	Stockholders' equity		
Stockholders' equity			
Stockholders' equity			
Preferred stock, \$0.001 par value; authorized 10,000,000; none issued and outstanding	Preferred stock, \$0.001 par value; authorized 10,000,000; none issued and outstanding	—	—

Common stock, \$0.001 par value; 100,000,000 shares authorized; 27,616,064 issued and outstanding		28	28
Preferred stock, \$0.001 par value; authorized 10,000,000; none issued and outstanding			
Preferred stock, \$0.001 par value; authorized 10,000,000; none issued and outstanding			
Common stock, \$0.001 par value; 100,000,000 shares authorized; 27,630,025 and 27,616,064 issued and outstanding, respectively			
Common stock, \$0.001 par value; 100,000,000 shares authorized; 27,630,025 and 27,616,064 issued and outstanding, respectively			
Common stock, \$0.001 par value; 100,000,000 shares authorized; 27,630,025 and 27,616,064 issued and outstanding, respectively			
Additional paid-in-capital			
Additional paid-in-capital			
Additional paid-in-capital	Additional paid-in-capital	11,073	10,581
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(2,203)	(590)
Accumulated other comprehensive loss			
Accumulated other comprehensive loss			
Retained earnings			
Retained earnings			
Retained earnings	Retained earnings	115,824	74,443
Total stockholders' equity	Total stockholders' equity	124,722	84,462
Total stockholders' equity			
Total stockholders' equity			
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 193,362	\$ 161,015
Total liabilities and stockholders' equity			
Total liabilities and stockholders' equity			

See notes to consolidated financial statements.

XPEL, Inc.

Consolidated Statements of Income
(In thousands except per share data)

		Year Ended December 31,		
		2022	2021	2020
		Year Ended December 31,		
		2023	2023	2022
Revenue	Revenue			
Product revenue				
Product revenue				
Product revenue	Product revenue	\$ 258,174	\$217,283	\$136,262
Service revenue	Service revenue	65,819	41,980	22,662
Total revenue	Total revenue	323,993	259,263	158,924
Cost of Sales	Cost of Sales			
Cost of Sales				
Cost of Sales				
Cost of product sales				
Cost of product sales				

Cost of product sales	Cost of product sales	169,905	151,286	98,502
Cost of service	Cost of service	26,576	15,300	6,397
Total cost of sales	Total cost of sales	196,481	166,586	104,899
Gross Margin	Gross Margin	127,512	92,677	54,025
Operating Expenses	Operating Expenses			
Operating Expenses				
Operating Expenses				
Sales and marketing				
Sales and marketing				
Sales and marketing	Sales and marketing	25,367	18,273	9,748
General and administrative	General and administrative	48,208	34,288	20,907
Total operating expenses	Total operating expenses	73,575	52,561	30,655
Operating Income	Operating Income	53,937	40,116	23,370
Operating Income				
Operating Income				
Interest expense	Interest expense	1,410	303	249
Foreign currency exchange loss		562	373	316
Interest expense				
Interest expense				
Foreign currency exchange (gain)/loss				
Income before income taxes				
Income before income taxes				
Income before income taxes	Income before income taxes	51,965	39,440	22,805
Income tax expense	Income tax expense	10,584	7,873	4,523
Net income	Net income	\$ 41,381	\$ 31,567	\$ 18,282
Earnings per share	Earnings per share			
Earnings per share				
Earnings per share				
Basic				
Basic				
Basic	Basic	\$ 1.50	\$ 1.14	\$ 0.66
Diluted	Diluted	\$ 1.50	\$ 1.14	\$ 0.66
Weighted Average Number of Common Shares	Weighted Average Number of Common Shares			
Basic	Basic	27,614	27,613	27,613
Basic				
Basic				

Diluted	Diluted	27,616	27,613	27,613
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See notes to consolidated financial statements.

XPEL, Inc.

Consolidated Statements of Comprehensive Income
(In thousands)

	Year Ended December 31,			
	Year Ended December 31,			
	Year Ended December 31,			
	2023	2023	2022	2021
Other comprehensive income				
Net income				
Net income				
Net income				
Foreign currency translation				
Total comprehensive income				
	Year Ended December 31,			
	2022	2021	2020	
Other comprehensive income				
Net income	\$ 41,381	\$31,567	\$18,282	
Foreign currency translation	(1,613)	(657)	970	
Total comprehensive income	39,768	30,910	19,252	
Total comprehensive income attributable to:				
Stockholders of the Company	39,768	30,910	19,257	
Non-controlling interest	—	—	(5)	
Total comprehensive income	\$ 39,768	\$30,910	\$19,252	

See notes to consolidated financial statements.

XPEL, Inc.

Consolidated Statements of Changes in Stockholders' Equity

(In thousands)

		Common Stock		Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive (Income) Loss	Equity attributable to Stockholders of the Company	Non-Controlling Interest	Total Stockholders' Equity
		Shares	Amount						
Balance as of December 31, 2019		27,613	\$ 28	\$ 11,348	\$ 24,594	\$ (908)	\$ 35,062	\$ (169)	\$ 34,893
		Common Stock							
		Common Stock							
		Common Stock							
		Shares							
		Shares							
		Shares							
Balance as of December 31, 2020									
Balance as of December 31, 2020									
Balance as of December 31, 2020									
Net income									
Net income									
Net income	Net income	—	—	—	18,282	—	18,282	—	18,282
Foreign currency translation	Foreign currency translation	—	—	—	—	975	975	(5)	970
Foreign currency translation									
Foreign currency translation									
Purchase of minority interest	Purchase of minority interest	—	—	(936)	—	—	(936)	174	(762)
Balance as of December 31, 2020		27,613	\$ 28	\$ 10,412	\$ 42,876	\$ 67	\$ 53,383	\$ —	\$ 53,383
Purchase of minority interest									
Purchase of minority interest									
Balance as of December 31, 2021									
Balance as of December 31, 2021									
Balance as of December 31, 2021									
Net income									
Net income									
Net income	Net income	—	—	—	31,567	—	31,567	—	31,567
Foreign currency translation	Foreign currency translation	—	—	—	—	(657)	(657)	—	(657)
Foreign currency translation									
Foreign currency translation									
Stock-based compensation	Stock-based compensation	—	—	169	—	—	169	—	169
Balance as of December 31, 2021		27,613	\$ 28	\$ 10,581	\$ 74,443	\$ (590)	\$ 84,462	\$ —	\$ 84,462
Stock-based compensation									

Stock-based compensation									
Balance as of December 31, 2022									
Balance as of December 31, 2022									
Balance as of December 31, 2022									
Net income									
Net income									
Net income	Net income	—	—	—	41,381	—	41,381	—	41,381
Foreign currency translation									
Foreign currency translation	Foreign currency translation	—	—	—	—	(1,613)	(1,613)	—	(1,613)
Foreign currency translation									
Foreign currency translation									
Stock-based compensation	Stock-based compensation	3	—	492	—		492	—	492
Balance as of December 31, 2022		27,616	\$ 28	\$ 11,073	\$ 115,824	\$ (2,203)	\$ 124,722	\$ —	\$ 124,722
Stock-based compensation									
Stock-based compensation									
Balance as of December 31, 2023									
Balance as of December 31, 2023									
Balance as of December 31, 2023									

See notes to consolidated financial statements.

XPEL, Inc.

Consolidated Statements of Cash Flows
(In thousands)

		Year Ended December 31,						
		2022	2021	2020				
		Year Ended December 31,			Year Ended December 31,			
		2023			2023	2022		2021
Cash flows from operating activities	Cash flows from operating activities							
Net income	Net income	\$41,381	\$31,567	\$18,282				
Net income								
Net income								
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:							
Depreciation of property, plant and equipment	Depreciation of property, plant and equipment							
Depreciation of property, plant and equipment	Depreciation of property, plant and equipment							

Depreciation of property, plant and equipment	Depreciation of property, plant and equipment	3,433	1,887	1,274
Amortization of intangible assets	Amortization of intangible assets	4,401	2,501	956
Gain on sale of property and equipment	Gain on sale of property and equipment	(8)	(36)	(3)
Stock compensation	Stock compensation	522	169	—
Bad debt expense	Bad debt expense	467	302	114
Deferred income tax	Deferred income tax	(471)	1,011	(273)
Accretion on notes payable	Accretion on notes payable	7	25	65
Changes in assets and liabilities:	Changes in assets and liabilities:			
Changes in assets and liabilities:				
Changes in assets and liabilities:				
Accounts receivable, net				
Accounts receivable, net				
Accounts receivable, net	Accounts receivable, net	(2,631)	(432)	(2,431)
Inventory, net	Inventory, net	(28,565)	(26,939)	(6,759)
Prepaid expenses and other assets	Prepaid expenses and other assets	259	(3,043)	506
Income tax receivable or payable	Income tax receivable or payable	1,160	(766)	376
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	(7,898)	12,022	6,359
Net cash provided by operating activities	Net cash provided by operating activities	12,057	18,268	18,466
Cash flows used in investing activities	Cash flows used in investing activities			
Purchase of property, plant and equipment	Purchase of property, plant and equipment	(7,936)	(6,725)	(1,782)
Purchase of property, plant and equipment				
Purchase of property, plant and equipment				
Proceeds from sale of property and equipment	Proceeds from sale of property and equipment	73	66	61

Acquisitions, net of cash acquired, payment holdbacks, and notes payable	Acquisitions, net of cash acquired, payment holdbacks, and notes payable	(4,673)	(49,185)	(2,569)
Development or purchase of intangible assets	Development or purchase of intangible assets	(1,620)	(964)	(374)
Net cash used in investing activities	Net cash used in investing activities	(14,156)	(56,808)	(4,664)
Cash flows from financing activities	Cash flows from financing activities			
Net borrowings on revolving credit agreements	Net borrowings on revolving credit agreements	1,000	25,000	—
Net (payments) borrowings on revolving credit agreements	Net (payments) borrowings on revolving credit agreements			
Net (payments) borrowings on revolving credit agreements	Net (payments) borrowings on revolving credit agreements			
Net (payments) borrowings on revolving credit agreements	Net (payments) borrowings on revolving credit agreements			
Payments on term-loan	Payments on term-loan	—	(5,064)	—
Borrowing on term-loan	Borrowing on term-loan	—	—	6,000
Payments on term-loan	Payments on term-loan			
Payments on term-loan	Payments on term-loan			
Restricted stock withholding taxes paid in lieu of issued shares	Restricted stock withholding taxes paid in lieu of issued shares			
Restricted stock withholding taxes paid in lieu of issued shares	Restricted stock withholding taxes paid in lieu of issued shares			
Restricted stock withholding taxes paid in lieu of issued shares	Restricted stock withholding taxes paid in lieu of issued shares			
Restricted stock withholding taxes paid in lieu of issued shares	Restricted stock withholding taxes paid in lieu of issued shares			
Restricted stock withholding taxes paid in lieu of issued shares	Restricted stock withholding taxes paid in lieu of issued shares	(30)	—	—
Repayments of notes payable	Repayments of notes payable	(368)	(695)	(1,704)
Purchase of minority interest	Purchase of minority interest	—	—	(785)
Net cash provided by financing activities	Net cash provided by financing activities	602	19,241	3,511
Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities			
Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities			
Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities			
Net change in cash and cash equivalents	Net change in cash and cash equivalents	(1,497)	(19,299)	17,313

Foreign exchange impact on cash and cash equivalents	Foreign exchange impact on cash and cash equivalents	(91)	(84)	213
(Decrease) Increase in cash and cash equivalents during the period		(1,588)	(19,383)	17,526
Increase (Decrease) in cash and cash equivalents during the period				
Cash and cash equivalents at beginning of year	Cash and cash equivalents at beginning of year	9,644	29,027	11,501
Cash and cash equivalents at end of year	Cash and cash equivalents at end of year	\$ 8,056	\$ 9,644	\$ 29,027
Supplemental schedule of non-cash activities	Supplemental schedule of non-cash activities			
Notes payable issued for acquisitions		\$ —	\$ —	\$ 893
Supplemental schedule of non-cash activities				
Supplemental schedule of non-cash activities				
Contingent consideration				
Contingent consideration				
Contingent consideration	Contingent consideration	\$ —	\$ 2,576	\$ 541
Non-cash lease financing	Non-cash lease financing	\$ 6,094	\$ 9,430	\$ —
Issuance of common stock for vested restricted stock units				
Supplemental cash flow information	Supplemental cash flow information			
Supplemental cash flow information				
Supplemental cash flow information				
Cash paid for income taxes				
Cash paid for income taxes				
Cash paid for income taxes	Cash paid for income taxes	\$ 9,897	\$ 7,762	\$ 4,461
Cash paid for interest	Cash paid for interest	\$ 1,306	\$ 210	\$ 178

See notes to consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - The Company is based in San Antonio, Texas and sells, distributes, and installs protective films and coatings, including automotive surface and paint protection film, headlight protection, automotive and architectural window films and ceramic coatings.

The Company was incorporated in the state of Nevada, U.S.A. in October 2003 and its registered office is 711 Broadway, Suite 320, San Antonio, Texas, 78215.

Basis of Presentation - The consolidated financial statements are prepared in conformity with GAAP and include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated. The functional currency for the Company is the United States dollar. The assets and liabilities of each of its wholly-owned foreign subsidiaries are translated into U.S. dollars using the exchange rate at the end of the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period. Gains and losses from translations are recognized in foreign currency translation included in accumulated other comprehensive loss in the accompanying consolidated balance sheets.

Segment Reporting - Management has concluded that our chief operating decision maker ("CODM") is our chief executive officer. The Company's CODM reviews the entire organization's consolidated results as a whole on a monthly basis to evaluate performance and make resource allocation decisions. Management views the Company's operations and manages its business as one operating segment.

Use of Estimates - The preparation of these consolidated financial statements in conformity to U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from these estimates under different assumptions and conditions.

Foreign Currency Translation - The U.S. dollar is the functional currency of our domestic operations located in the United States. The financial statements of subsidiaries located outside of the U.S. are generally measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average monthly rates of exchange. The resultant translation adjustments are included in accumulated other comprehensive income, a separate component of stockholders' equity.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of three months or less at the date of purchase. The balance, at times, may exceed federally insured limits.

Accounts Receivable - Accounts receivable are shown net of an allowance for expected credit losses and doubtful accounts of \$0.2 million and \$0.3 million \$0.2 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The Company evaluates the adequacy of its allowances by analyzing the aging of receivables, customer financial condition, historical collection experience, the value of any collateral and other economic and industry factors. Actual collections may differ from historical experience, and if economic, business or customer conditions deteriorate significantly, adjustments to these reserves may be required. When the Company becomes aware of factors that indicate a change in a specific customer's ability to meet its financial obligations, the Company records a specific reserve for credit losses. At December 31, 2022 December 31, 2023 and 2021, 2022, there were no significant accounts receivable concentrations.

Inventory - Inventories of all operating subsidiaries are comprised of raw materials, film, film installation support products, and supplies which are valued at lower of cost or net realizable value, with cost determined on a weighted average cost basis. Inventory costs include those costs directly

attributable to products, including materials, labor, shipping, and overhead. The Company provides reserves for discontinued, slow-moving and excess inventory based upon historical demand calculations, forecasted usage, estimated customer requirements and product line updates. As of December 31, 2022 2023 and 2021, 2022, inventory reserves were \$0.7 0.8 million and \$0.1 0.7 million, respectively.

Property, Plant and Equipment - Property and equipment are recorded at cost, with the exception of property and equipment acquired in connection with the Company's acquisitions, which are recorded at fair value on the date of acquisition. Expenditures which improve or extend the life of the respective definite-lived assets are capitalized, whereas expenditures for normal repairs and maintenance are charged to operations as incurred. Depreciation expense is computed using the straight-line method as follows:

Furniture and fixtures	5 years
Computer equipment	3-4 years
Vehicles	5 years
Equipment	5-8 5-10 years
Leasehold improvements	shorter of lease term or estimated useful life
Plotters	4 years

The following table presents geographic property, plant and equipment, net of accumulated depreciation, by region as of December 31 (in thousands):

		2022	2021
	2023		
		2023	2022
United States	United States	\$12,511	\$7,890
Canada	Canada	469	656
Europe	Europe	1,093	1,118
Other	Other	130	234
Consolidated	Consolidated	\$14,203	\$9,898

Goodwill - Goodwill represents the excess purchase price over the fair value of tangible net assets acquired in acquisitions after amounts have been allocated to intangible assets. Goodwill is tested for impairment at the reporting unit level on an annual basis (at December 31) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company recognized no goodwill impairment in the years ended December 31, 2022, December 31, 2023 or December 31, 2021, December 31, 2022, and there is no significant accumulated impairment of goodwill from prior years. Refer to Note 6, Goodwill for more information related to goodwill.

The following table presents geographic goodwill by region as of December 31 (in thousands):

		2022	2021
	2023		
		2023	2022
United States	United States	\$17,699	\$16,348
Canada	Canada	5,108	5,874
Europe	Europe	2,923	3,429
Other	Other	1,033	4
Consolidated	Consolidated	\$26,763	\$25,655

Intangible Assets - Intangible assets consist primarily of software, customer relationships, trademarks and non-compete agreements. These assets are amortized on a straight-line basis over the period of time in which their expected benefits will be realized.

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Notes to Consolidated Financial Statements

The following table presents geographic intangible assets, net by region as of December 31 (in thousands):

		2022	2021
	2023		
		2023	2022
United States	United States	\$23,749	\$25,910
Canada	Canada	3,127	3,360
Europe	Europe	1,685	3,278
Other	Other	733	185
Consolidated	Consolidated	\$29,294	\$32,733

The following table presents the anticipated useful lives of intangible assets:

Trademarks	10 years
Software	5 years
Trade name	10-15 years
Contractual and customer relationships	9-10 years
Non-compete	3-5 years
Other	2-10 years

Impairment of Long-Lived Assets - The Company reviews and evaluates long-lived assets for impairment when events or circumstances indicate that the carrying amount of an asset may not be recoverable. When the undiscounted expected future cash flows are not sufficient to recover an asset's carrying amount, the fair value is compared to the carrying value to determine the impairment loss to be recorded. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less the cost to sell. Fair values are determined by independent appraisals or expected sales prices based upon market participant data developed by **third party** **third-party** professionals or by internal licensed real estate professionals. Estimates of future cash flows and expected sales prices are judgments based upon the Company's experience and knowledge of operations. These estimates project cash flows several years into the future and are affected by changes in the economy, real estate market conditions and inflation.

No impairment was recorded during the years ended **December 31, 2022** **December 31, 2023** or **2021, 2022**.

Other Long-Term Liabilities - The balance presented as other long-term liabilities on the Company's consolidated balance sheet at **December 31, 2022** **December 31, 2023** primarily **relate relates** to contingent **liabilities, liabilities from acquisitions completed in prior years**. These liabilities are revalued at each reporting period. Refer to Note 13 for additional discussion of the valuation of these liabilities.

Revenue Recognition - Our revenue is comprised primarily of product and services sales where we act as principal to the transaction. All revenue is recognized when the Company satisfies its performance obligation(s) by transferring control/final benefit from the promised product or service to our customer. Due to the nature of our sales contracts, the majority of our revenue is recognized at a point in time. A performance obligation is a contractual promise to transfer a distinct product or service to a customer. A contract's transaction price is allocated to each distinct performance obligation. Revenue is recorded net of returns and allowances. Sales, value add, and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis. Shipping and handling costs are accounted for as a fulfillment obligation, on a net basis, and are included in cost of sales. See Note 2, Revenue, for additional accounting policies **and transition disclosures, related to revenue recognition**.

Research and Development - Research costs are charged to operations when incurred. Software development costs, including costs associated with developing software patterns, are expensed as

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Notes to Consolidated Financial Statements

incurred unless the Company incurred these expenses in the development of a new product or long-lived asset. Research and development costs were **\$0.4 million** **\$2.9 million**, **\$0.4 million**, and **\$0.1 million** **\$0.4 million** in the years ended **December 31, 2022** **December 31, 2023**, **2021** **2022** and **2020, 2021**, respectively.

Advertising costs - Advertising costs are charged to operations when incurred. Advertising costs were **\$1.2 million** **\$1.7 million**, **\$1.1 million** **\$1.2 million** and **\$0.6 million** **\$1.1 million** in the years ended **December 31, 2022** **December 31, 2023**, **2021** **2022** and **2020, 2021**, respectively.

Provisions and Warranties - We provide warranties on our products. Liability under the warranty policy is based on a review of historical warranty claims. Adjustments are made to the accruals as claims data experience warrant. The following table presents a summary of our warranty liabilities as of **December 31, 2022** **December 31, 2023** and **2021** **2022** (in thousands):

		2022	2021
		2023	
		2023	
		2023	
Warranty balance at beginning of period			
Warranty balance at beginning of period			
Warranty balance at beginning of period	Warranty balance at beginning of period	\$ 75	\$ 52
Warranties assumed in period	Warranties assumed in period	624	398
Warranties assumed in period			
Warranties assumed in period			
Payments			
Payments			

Payments	Payments	(465)	(375)
Warranty balance at end of period	Warranty balance at end of period	\$ 234	\$ 75
Warranty balance at end of period			
Warranty balance at end of period			

Income Taxes - Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred and other tax assets and liabilities. The Company accounts for the tax impact of including Global Intangible Low-Taxed Income ("GILTI") in U.S. taxable income as a period cost.

Stock-Based Compensation - We measure stock-based compensation cost at the grant date based on the fair value of the award. Compensation expense is recognized over the period during which the recipient provides service in exchange for the awards. Excess income tax benefits related to share-based compensation expense are recognized as income tax expense or benefit in the Consolidated Statements of Income. We account for forfeitures as they occur, rather than estimate expected forfeitures.

Accumulated Other Comprehensive Income (Loss) ("AOCI") - The Company reports comprehensive income (loss) that includes net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to expenses, gains and losses that are not included in net earnings. These amounts are also presented in the Consolidated Statements of Comprehensive Income. As of December 31, 2022, December 31, 2023 and 2021, 2022, respectively, AOCI relates to foreign currency translation adjustments.

Earnings Per Share - Basic earnings per share is calculated by dividing net income for the year attributable to common stockholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing the net income attributable to common stockholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

Acquisitions of Businesses - Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired, is recorded as goodwill. Acquisition-

XPEL, Inc.

Notes to Consolidated Financial Statements

related expenses are recognized separately from the business combination and are recognized as general and administrative expense as incurred. The Company evaluates the materiality of required disclosures related to our business combinations using quantitative and qualitative measures.

Fair Value Measurements - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

Level 1:	Valuation is based on observable inputs such as quoted market prices (unadjusted) for identical assets or liabilities in active markets.
Level 2:	Valuation is based on inputs such as quoted market prices for similar assets or liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3:	Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

In making fair value measurements, observable market data must be used when available. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Recent Accounting Pronouncements Issued and Not Yet Adopted

In June 2016, November 2023, the FASB issued ASU 2016-13, "Financial Instruments — Measurement of Credit Losses on Financial Instruments" 2023-07, "Improvements to Reportable Segment Disclosures" which makes makes certain updates to segment reporting, and, in December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures", which requires measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 is makes certain updates to income tax disclosures. These standards become effective for the Company our fiscal years beginning January 1, 2023 and is required January 1, 2024, respectively. We do not anticipate these standards to be applied prospectively. We are currently evaluating the have a material impact that ASU 2016-13 will have on our consolidated financial statements.

2. REVENUE

Revenue recognition

The Company recognizes revenue when it satisfies a performance obligation by transferring control of the promised goods and services to a customer, in an amount that reflects the consideration that it expects to receive in exchange for those goods or services. This is achieved through applying the following five-step model:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company generates substantially all of its revenue from contracts with customers, whether formal or implied. Sales taxes collected from customers are remitted to the appropriate taxing jurisdictions and are excluded from sales revenue as the Company considers itself a pass-through conduit for collecting and remitting sales taxes, with the exception of taxes assessed during the procurement process of select inventories. Shipping and handling costs are included in cost of sales.

XPEL, Inc.
Notes to Consolidated Financial Statements

Revenue from product and services sales are recognized when control of the goods is transferred to the customer which occurs at a point in time typically upon shipment to the customer or completion of the service. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments.

Based upon the nature of the products the Company sells, its customers have limited rights of return which are immaterial. Discounts provided by the Company to customers at the time of sale are recognized as a reduction in sales as the products are sold.

Warranty obligations associated with the sale of our products are assurance-type warranties that are a guarantee of the product's intended functionality and, therefore, do not represent a distinct performance obligation within the context of the contract. Warranty expense is included in cost of sales.

We apply a practical expedient to expense direct costs of obtaining a contract when incurred because the amortization period would have been one year or less.

Under its contracts with customers, the Company stands ready to deliver product products upon receipt of a purchase order. Accordingly, the Company has no performance obligations under its contracts until its customers submit a purchase order. The Company does not enter into commitments to provide goods or services that have terms greater than one year. In limited cases, the Company does require payment in advance of shipping product. Typically, product is shipped within a few days after prepayment is received. These prepayments are recorded as contract liabilities on the consolidated balance sheet and are included in accounts payable and accrued liabilities. See Note 10 of the Notes to our Consolidated Financial Statements for further information. As the performance obligation is part of a contract that has an original expected duration of less than one year, the Company has applied the practical expedient to omit disclosures regarding remaining performance obligations.

XPEL, Inc.
Notes to Consolidated Financial Statements

The following table summarizes transactions included within contract liabilities for the years ended December 31, 2022, December 31, 2023, 2021, 2022 and 2020, 2021, respectively (in thousands):

Balance, December 31, 2020, December 31, 2021	\$	245,818
Revenue recognized related to payments included in the December 31, 2020, December 31, 2021 balance		(768)(199)
Balance, Payments received for which performance obligations have not been satisfied		773,206
Effect of Foreign Currency Translation		(1)5
Balance, December 31, 2021, December 31, 2022	\$	818,261
Revenue recognized related to payments included in the December 31, 2021, December 31, 2022 balance		(206)(768)
Payments received for which performance obligations have not been satisfied		206,691
Effect of Foreign Currency Translation		515
Balance, December 31, 2022, December 31, 2023	\$	261,761

When the Company transfers goods or services to a customer, payment is due, subject to normal terms, and is not conditional on anything other than the passage of time. Typical payment terms range from due upon receipt to 30 days, depending on the type of customer and relationship. At contract inception, the Company expects that the period of time between the transfer of goods to the customer and when the customer pays for those goods will be less than one year, which is consistent with the Company's standard payment terms. Accordingly, the Company has elected the practical expedient to not adjust for the effects of a significant financing component. As such, these amounts are recorded as receivables and not contract assets.

The table below sets forth the disaggregation of revenue by product category for the years ended December 31, 2022, December 31, 2023, 2021, 2022, and 2020, 2021 (in thousands):

2022	2021	2020
------	------	------

		2023		
		2023		
		2023		
Product Revenue				
Product Revenue				
Product Revenue	Product Revenue			
Paint protection film	Paint protection film	\$	192,374	\$ 169,880 \$ 110,786
Paint protection film				
Paint protection film				
Window film				
Window film				
Window film	Window film		54,370	38,363 20,951
Other	Other		11,430	9,040 4,525
Other				
Other				
Total				
Total				
Total	Total		258,174	217,283 136,262
Service Revenue				
Service Revenue				
Service Revenue				
Software				
Software				
Software	Software	\$	5,213	\$ 4,373 \$ 3,489
Cutbank credits	Cutbank credits		16,317	12,372 7,785
Cutbank credits				
Cutbank credits				
Installation labor				
Installation labor				
Installation labor	Installation labor		42,828	24,253 10,925
Training and other	Training and other		1,461	982 463
Training and other				
Training and other				
Total				
Total				
Total	Total		65,819	41,980 22,662
Total	Total	\$	323,993	\$ 259,263 \$ 158,924
Total				
Total				

Our largest customer accounted for 10.5%, 17.9% 10.5% and 20.6% 17.9% of our net sales during the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021, respectively.

3. ACQUISITIONS OF BUSINESSES

XPTEL, Inc.

Notes to Consolidated Financial Statements

The Company completed the following acquisitions during the years ended December 31, 2022, 2021 and 2020 (dollars in thousands):

Acquisition Date	Name/Location/Description	Purchase Price	Acquisition Type	Acquisition Purpose
October 1, 2022	Paint Protection Film portion of Car Care Products Australia, Australia, Paint protection film distributor	\$ 2,178	Asset Purchase	Local market expansion
November 1, 2021	invisiFRAME, Ltd, Shrewsbury, Shropshire, United Kingdom, bicycle paint protection film pattern designer and retailer	\$ 7,390	Share Purchase	Market Expansion
October 1, 2021	Tintnet, Inc. and 1 One Armor, Inc., Scottsdale, Arizona, United States, window and paint protection film distribution and installation	\$ 13,000	Share Purchase	Market Expansion
October 1, 2021	6873391 Canada Ltd. o/a Shadow Shield, 1716808 Alberta Ltd. o/a Shadow Tint, and North 1 Technologies, Calgary, Alberta, Canada, window and paint protection film distribution, installation provider and pattern developer	\$ 7,178	Share Purchase	Local market expansion
May 25, 2021	PermaPlate Film LLC, Salt Lake City, Utah, United States, Window film distribution and installation business	\$ 30,000	Membership Interest Purchase	Market Expansion
December 31, 2020	Veloce Innovation, Houston, Texas, United States, Window film installation business	\$ 1,441	Asset Purchase	Local market expansion
October 30, 2020	France Auto Racing, Dijon, France, Paint protection film distributor	\$ 329	Asset Purchase	Local market expansion
February 1, 2020	Protex Centre, Laval, Quebec, Canada - Paint protection installation shop	\$ 2,475	Share Purchase	Local market expansion

XPEL, Inc.
Notes to Consolidated Financial Statements

3. ACQUISITIONS OF BUSINESSES

The Company completed the following acquisitions during the years ended December 31, 2023, 2022 and 2021 (dollars in thousands):

During 2023, we acquired certain companies for an aggregate purchase price of \$20.8 million.

During 2022, we acquired a company for an aggregate purchase price of \$2.2 million.

During 2021, we acquired certain companies for an aggregate purchase price of \$57.6 million.

The purchase agreements for transactions completed during the year ended December 31, 2023 provide for customary purchase price adjustments related to acquired working capital. These purchase price adjustments have not yet been completed. Additionally, our valuation models related to identified intangible assets included in these acquisitions are also not yet finalized. As a result, the purchase price accounting presented below is preliminary in nature. We anticipate finalizing the accounting for these acquisitions within the first half of 2024. The total preliminary purchase price for acquisitions completed during the year ended December 31, 2023, and finalized purchase price for those completed during the years ended December 31, 2022, 2022 and 2021 and 2020 are as follows (in thousands):

		December 31,		
		2022	2021	2020
		Acquisitions	Acquisitions	Acquisitions
		December 31,		
		2023		
		Acquisitions	2023 Acquisitions	2022 Acquisitions
		December 31,		
		2023	2021	2020
Purchase Price	Purchase Price			
Cash ₁	Cash ₁	\$ 1,876	\$ 54,991	\$ 2,811
Promissory note		—	—	893
Cash ₁				
Cash ₁				
Contingent consideration	Contingent consideration	—	2,576	541
Note payable				
Cancellation of receivable balance	Cancellation of receivable balance	302	—	—
		\$ 2,178	\$ 57,567	\$ 4,245

		\$			
Allocation	Allocation				
Allocation					
Allocation					
Cash	Cash	\$	—	\$ 3,789	\$ 243
Accounts receivable			—	3,250	207
Inventory			595	2,895	182
Prepaid expenses and other assets			—	73	4
Cash					
Cash					
Other working capital					
Other long-term assets	Other long-term assets		—	7	6
Property and equipment	Property and equipment		—	440	162
Right-of-use lease assets			—	—	588
Software			—	—	1
Other long-term liabilities					
Trade name	Trade name		—	2,121	—
Acquired patterns	Acquired patterns		—	488	—
Customer relationships	Customer relationships		612	26,329	1,896
Non-compete			—	—	179
Goodwill	Goodwill		971	21,284	1,939
Current portion of lease liabilities			—	—	(73)
Accounts payable and accrued liabilities			—	(1,982)	(157)
Non-current portion of lease liabilities			—	—	(514)
Assumed debt			—	—	(109)
Goodwill					
Goodwill					
Deferred tax liability	Deferred tax liability		—	(1,127)	(274)
Taxes payable		\$	—	\$	(35)
		\$	2,178	\$ 57,567	\$ 4,245

1 Total cash consideration is comprised of amounts paid on closing dates plus holdback amounts to be paid in the future.

	\$
	=
	\$
	=
	\$
	=

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.

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.

Intangible assets acquired in the years ended December 31, 2022 December 31, 2023 and 2021 2022 have a weighted average useful life of 9 years.

Goodwill for these acquisitions relates to the expansion into new geographical areas, the acquired employee knowledge of the various markets, institutional distribution abilities, as well as the expected synergies resulting from the acquisitions.

XPEL, Inc.
Notes to Consolidated Financial Statements

Goodwill and other intangibles acquired in taxable asset purchases are analyzed for allowable amortization for tax purposes over appropriate periods as prescribed by applicable regulatory jurisdictions.

XPEL, Inc.
Notes to Consolidated Financial Statements

Acquisition costs incurred related to these acquisitions were immaterial and were included in selling, general and administrative expenses.

The acquired companies were consolidated into our financial statements on their respective acquisition dates. Neither the The aggregate revenue nor and the net income from 2023 acquisitions consolidated into our 2023 consolidated financial statements were \$4.8 million and \$0.4 million, respectively. The aggregate revenue and operating income of the our 2022 acquisition acquisitions consolidated into our 2022 consolidated financial statements was material, from the date of acquisition were not substantial. The aggregate revenue and operating income of our 2021 acquisitions consolidated into our 2021 consolidated financial statements from the respective dates of acquisition were \$16.6 million and \$1.6 million, respectively. The aggregate revenue and operating income of our 2020 acquisitions consolidated into our 2020 consolidated financial statements from the respective dates of acquisition were \$3.8 million and \$1.1 million, respectively.

The following unaudited pro forma financial information presents our results, including the estimated expenses relating to the amortization of intangibles purchased, as if the acquisition acquisitions during the year ended December 31, 2022 December 31, 2023 had occurred on January 1, 2022 January 1, 2023 and 2021 2022 (in thousands):

Twelve Months Ended		December 31,	
		2022	2021
		(Unaudited)	(Unaudited)
Twelve Months Ended		Twelve Months Ended	
		December 31,	
		2023	
		(Unaudited)	2023 (Unaudited)
		2022 (Unaudited)	
Revenue	Revenue	\$ 325,807	\$ 261,367
Net	Net		
income	income	\$ 41,710	\$ 31,854

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, they do not include any benefits that may result from the acquisition due to synergies that may be derived from the elimination of any duplicative costs.

During the year ended December 31, 2022, we finalized the purchase price accounting for acquisitions completed during 2021. This finalization resulted in purchase price reductions of \$0.9 million, an increase to goodwill of \$0.8 million, a reduction to other intangible assets of \$0.6 million, a decrease to deferred tax liabilities of \$0.1 million, and a reduction to contingent liabilities of \$0.9 million. These changes were caused by updates made to certain valuation assumptions. Results for the twelve months ended December 31, 2021 would not have been materially changed had these final allocations been made in that period.

XPEL, Inc.

Notes to Consolidated Financial Statements

4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following (in thousands):

		December 31, 2022	December 31, 2021
	December 31, 2023		
	December 31, 2023		
	December 31, 2023		
	December 31, 2023		December 31, 2022
Furniture and fixtures	Furniture and fixtures	\$ 2,667	\$ 2,147
Computer equipment	Computer equipment	\$ 3,455	\$ 2,201
Computer equipment			
Computer equipment			
Vehicles			
Vehicles			
Vehicles	Vehicles	\$ 838	\$ 822
Equipment	Equipment	\$ 4,728	\$ 3,571
Equipment			
Equipment			
Leasehold improvements			
Leasehold improvements			
Leasehold improvements	Leasehold improvements	\$ 7,081	\$ 5,138
Plotters	Plotters	\$ 2,980	\$ 2,133
Plotters			
Plotters			
Construction in Progress			
Construction in Progress			
Construction in Progress	Construction in Progress	\$ 1,745	\$ 117
Total property and equipment	Total property and equipment	\$ 23,494	\$ 16,129
Total property and equipment			
Total property and equipment			
Less: accumulated depreciation			
Less: accumulated depreciation			

Less:	Less:		
accumulated	accumulated		
depreciation	depreciation	\$ 9,291	\$ 6,231
Property and	Property and		
equipment,	equipment,		
net	net	\$ 14,203	\$ 9,898
Property and equipment, net			
Property and equipment, net			

Depreciation expense for the years ended **December 31, 2022** December 31, 2023, 2022 and 2021 was \$4.5 million, \$3.4 million and 2020 was \$3.4 million, \$1.9 million and \$1.3 million, respectively. Depreciation expense for equipment used in production is recorded to cost of goods sold. All other depreciation is recorded within general and administrative expense.

5. INTANGIBLE ASSETS, NET

Intangible assets consists of the following (in thousands):

		December 31, 2022	December 31, 2021
	December 31, 2023		
	December 31, 2023		
	December 31, 2023		
	December 31, 2023		
			December 31, 2022
Trademarks	Trademarks	\$ 686	\$ 500
Software	Software	\$ 4,822	\$ 3,431
Trade name	Trade name	\$ 1,451	\$ 2,579
Contractual and customer relationships	Contractual and customer relationships	\$ 31,871	\$ 31,326
Non-compete	Non-compete	\$ 440	\$ 459
Other	Other	\$ 497	\$ 693
Total at cost	Total at cost	\$ 39,767	\$ 38,988
Less:	Less:		
Accumulated amortization	Accumulated amortization	\$ 10,473	\$ 6,255
Intangible assets, net	Intangible assets, net	\$ 29,294	\$ 32,733

Amortization expense for the years ended **December 31, 2022** December 31, 2023, 2022 and 2021 was \$5.1 million, \$4.4 million and 2020 was \$4.4 million, \$2.5 million and \$1.0 million, respectively. Based on the carrying value of definite-lived intangible assets as of **December 31, 2022** December 31, 2023, we estimate our future amortization expense will be as follows (in thousands):

2023		\$	4,561
2024	2024	\$	4,321
2025	2025	\$	4,068
2026	2026	\$	3,990
2027	2027	\$	3,616
2028			
Thereafter	Thereafter	\$	8,738

XPEL, Inc.

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6. GOODWILL

The following table summarizes changes in the carrying amounts of goodwill for the years ended **December 31, 2022** December 31, 2023 and **2021** 2022 (in thousands):

Balance at December 31, 2020	\$	4,472
Additions	\$	21,284
Foreign currency translation	\$	(101)
Balance at December 31, 2021	\$	25,655
Balance at December 31, 2021	\$	25,655
Additions and purchase price allocation adjustments	\$	1,826
Foreign currency translation	\$	(718)
Balance at December 31, 2022	\$	26,763
Balance at December 31, 2022	\$	26,763
Additions		10,422
Foreign currency translation		276
Balance at December 31, 2023	\$	37,461

For additional details related to the acquisition completed during the year ended December 31, 2022 December 31, 2023, and for details related to purchase price allocations finalized during the year, refer to Note 3.

7. INVENTORIES

The components of inventory, net of reserves, are summarized as follows (in thousands):

		December 31, 2022	December 31, 2021
	December 31, 2023	December 31, 2023	
Raw materials	Raw materials	\$ 10,416	\$ 2,698
Work in process	Work in process	6,756	180
Finished goods	Finished goods	63,403	49,058
		\$ 80,575	\$ 51,936
		\$	

8. DEBT

REVOLVING FACILITIES

The Company has a \$75.0 million revolving line credit facility providing for secured revolving loans and letters of credit with in an aggregate amount of up to \$125.0 million, which is subject to the terms of a financial institution. The facility is utilized to fund the Company's working capital needs and other strategic initiatives, and is secured by substantially all of the Company's current and future assets. Borrowings under the credit agreement bear interest on borrowed amounts at dated April 6, 2023 (the "Credit Agreement"). As of December 31, 2023, the *Wall Street Journal* U.S. Prime Rate less 0.75% per annum if the Company's EBITDA ratio is equal to or less than 2.00 to 1.00 or the *Wall Street Journal* U.S. Prime rate less 0.25% if the Company's EBITDA ratio (as defined in the facility) is greater than 2.00 to 1.00. The facility also contains a fee Company had an outstanding balance of 0.25% of the unused capacity on the facility. The interest rate for this credit facility as of December 31, 2022 was 6.75%. The Company paid interest charges on borrowings \$19.0 million under this facility agreement. As of \$1.3 million during December 31, 2022, the year ended December 31, 2022, and Company had a an outstanding balance of \$26.0 million as under a prior credit agreement which was subsequently repaid and terminated.

Borrowings under the Credit Agreement bear interest, at XPEL'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 December 31, 2022 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 December 31, 2023, these rates were 6.5% and 6.4%, respectively. Both the margin applicable to the interest rate and the commitment fee are dependent on XPEL's Consolidated Total Leverage Ratio. The Credit Agreement's maturity date is April 6, 2026. This All capitalized terms in this description of the credit facility matures on July 5, 2024.

The Loan Agreement governing the facility contains customary covenants relating to maintaining legal existence and good standing, complying with applicable laws, delivery of financial statements, payment of taxes and maintaining insurance. The Loan Agreement contains two financial covenants:

(1) Senior Funded Debt (as that are not otherwise defined in this Annual Report have the Loan Agreement) divided by EBITDA (as defined meaning assigned to them in the Loan Agreement) at or below 3.50 : 1.00 when tested at Credit Agreement.

Obligations under the end Credit Agreement are secured by a first priority perfected security interest, subject to certain permitted encumbrances, in all of each fiscal quarter on a rolling four-quarter basis, XPEL's material property and assets.

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(2) A minimum Debt Service Coverage Ratio (as defined) 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 and certain customary covenants. The Credit Agreement provides for two financial covenants, as follows:

As of the Loan Agreement) of 1.25 : 1.00 at the end last day of each fiscal quarter when measured on a rolling four-quarter basis, 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 \$4.5 million (approximately \$3.3 million as of December 31, 2023) revolving credit facility through a financial institution in Canada, Canada, as 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 Bank's prime rate plus 0.25%, per annum and is guaranteed by the parent company. As of December 31, 2022 December 31, 2023 and 2021, December 31, 2022, no balance was outstanding on this line of credit.

As of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the Company was in compliance with all debt covenants.

NOTES PAYABLE

As part of its acquisition strategy, the Company uses a combination of cash and unsecured non-interest bearing promissory notes payable to fund its business acquisitions. The Company discounts the promissory note to fair value using market interest rates at the time of the acquisition.

Notes payable are summarized as follows (in thousands):

	Weighted Average Interest			
	Rate	Matures	December 31, 2022	December 31, 2021
Face value of acquisition notes payable	2.61%	2023	\$ 77	\$ 458
Total face value of notes payable			\$ 77	\$ 458
Unamortized discount			\$ —	\$ (7)
Current portion			\$ (77)	\$ (375)
Total long-term debt			\$ —	\$ 76

Payments under outstanding notes will be completed in 2023.

9. EMPLOYEE BENEFIT PLANS

The Company sponsors defined contribution plans for substantially all employees. Annual Company contributions under the plans are discretionary. Company contribution expenses were \$0.8 million \$1.0 million, \$0.5 million \$0.8 million and \$0.3 million \$0.5 million for the plan years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table presents significant accounts payable and accrued liability balances as of the periods ending:

		December 31, 2022	December 31, 2021
		December 31, 2023	December 31, 2022
Trade payables	Trade payables	\$ 16,689	\$ 25,175
Payroll liabilities	Payroll liabilities	3,596	3,386
Contract liabilities	Contract liabilities	261	818
Acquisition holdback payments	Acquisition holdback payments	191	2,007

Other liabilities	Other liabilities	2,233	1,529
		<u>\$ 22,970</u>	<u>\$ 32,915</u>
		<u>\$</u>	

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Notes to Consolidated Financial Statements

11. CAPITAL STOCK

Shares issued and outstanding at both December 31, 2022 December 31, 2023 and 2021 2022 were 27,616,064 27,630,025 and 27,612,597, 27,616,064, respectively. Par value of these shares for these same dates was \$0.03 million.

12. STOCK-BASED COMPENSATION

The XPEL, Inc. 2020 Equity Incentive Plan (the "Plan") was approved at the May 28, 2020 Annual Meeting of Stockholders and amended in the May 24, 2023 Annual Meeting of Stockholders. Under this amended plan, 275,000 550,000 shares of the Company's Common Stock are reserved for issuance, as administered by the Company's Compensation Committee. Awards may be granted to employees,

XPEL, Inc.

Notes to Consolidated Financial Statements

consultants, or directors of the Company or any parent or subsidiary of the Company; provided that incentive stock options may be granted only to employees. If an award made under the Plan expires, if it is terminated, surrendered, cancelled, or otherwise becomes unexercisable, or if an award is forfeited in whole or in part or is forfeited due to failure to vest, then the unpurchased shares under such award will become available for future grant under the Plan. The Plan allows for different types of awards to be granted.

Stock options awarded under the Plan must be at least equal to the fair market value of a share of our Common Stock on the date of the grant. Any option period will not exceed 10 years, except with respect to any participant who owns more than 10% of the voting power of all classes of stock of the Company.

Restricted stock, Restricted Stock Units ("RSUs"), Performance Stock Units and Performance Shares, ("PSUs"), and Other Share-based Awards may be granted at the discretion of the Compensation Committee according to terms and conditions set by the Compensation Committee, subject to the provisions of the Plan.

The only activity RSUs and PSUs have been granted under the Plan relates to RSUs. RSU Plan. Grant activity for the year ended December 31, 2022 December 31, 2023 is summarized as follows:

		Weighted					
		Number	Average				
		of	Grant				
		Restricted	Value				
		Stock	Per				
		Units	Share				
Outstanding at							
December 31, 2021		17,520	\$ 84.19				
	Number of			Number of Performance Stock	Weighted Average Grant Value Per	Number of Restricted Stock	
	Performance			Units	Share	Units	Weighted Average Grant Value Per Share
Outstanding	Stock Units						
at							
December							
31, 2022							
Granted	Granted	36,639	64.91				
Vested	Vested	(3,467)	84.19				
	Forfeited						
Forfeited or	or						
canceled	canceled	(6,125)	74.80				
Outstanding at							
December 31, 2022		44,567	\$ 69.63				

Outstanding
at
December
31, 2023

During the year years ended December 31, 2022 December 31, 2023, 2022, and 2021 we recorded compensation expense of \$0.5 million \$1.6 million, \$0.5 million, and \$0.2 million, respectively, related to RSUs issued grants under the Plan.

13. FAIR VALUE MEASUREMENTS

ASC 820 prioritizes the inputs to valuation techniques used to measure fair 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

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Notes to Consolidated Financial Statements

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

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Notes to Consolidated Financial Statements

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.

Level 3 liabilities measured at December 31, 2022 December 31, 2023 and 2021 2022 at fair value on a recurring basis are as follows (in thousands):

	2022	2021
	2023	2022
Level 3:	Level 3:	
Contingent	Contingent	
Liabilities	Liabilities	\$955 \$2,665
Contingent Liabilities		
Contingent Liabilities		

Reductions Changes in the fair value of level 3 contingent these liabilities are reflected on the Consolidated Balance Sheets in revised purchase price allocations made upon the finalization of 2021 acquisitions and in general and administrative expenses in the Consolidated Statements of Income for the years twelve months ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

14. INCOME TAXES

Income before income taxes on which the provision for income taxes was computed is as follows (in thousands):

	2022	2021	2020
Domestic	\$ 48,574	\$ 35,647	\$ 20,547
International	\$ 3,391	\$ 3,793	\$ 2,258
Income before income taxes	\$ 51,965	\$ 39,440	\$ 22,805

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	2023	2022	2021
Domestic	\$ 61,974	\$ 48,574	\$ 35,647
International	4,057	3,391	3,793
Income before income taxes	\$ 66,031	\$ 51,965	\$ 39,440

The provision for income taxes differs from the US federal statutory rate as follows:

	2022	2021	2020		2023	2022	2021
Income before income taxes	\$ 51,965	\$ 39,440	\$ 22,805	Income before income taxes	\$ 66,031	\$ 51,965	\$ 39,440
Statutory rate	21 %	21 %	21 %	Statutory rate	21 %	21 %	21 %
	\$ 10,913	\$ 8,282	\$ 4,789		\$ 13,867	\$ 10,913	\$ 8,282
State taxes net of federal benefit				State taxes net of federal benefit			
State taxes net of federal benefit	\$ 862	\$ 649	\$ 295	State taxes net of federal benefit	\$ 1,238	\$ 862	\$ 649
Nondeductible/nontaxable items	\$ 53	\$ 101	\$ 49	Nondeductible/nontaxable items	256	53	101
Tax Impact of foreign operations	\$ 230	\$ 171	\$ 102	Tax Impact of foreign operations	284	230	171
Foreign derived intangible income benefit	\$ (1,114)	\$ (970)	\$ (703)	Foreign derived intangible income benefit	(1,647)	(1,114)	(970)
Other - net	\$ (360)	\$ (360)	\$ (9)	Other - net	(767)	(360)	
Income tax expense	\$ 10,584	\$ 7,873	\$ 4,523	Income tax expense	\$ 13,231	\$ 10,584	\$ 7,873

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The foreign tax rate differential reflects the impact of the differences in our various international tax rates and our US statutory rate.

The components of the income tax provision (benefit) are as follows (in thousands):

	Years ended December 31			
	2022	2021	2020	
	Year ended December 31	Year ended December 31	Year ended December 31	
	2023	2023	2022	2021
Current income tax expense				
Federal				
Federal				
Federal	Federal	\$ 9,006	\$ 5,051	\$ 3,573
Foreign	Foreign	\$ 1,025	\$ 1,158	\$ 816
State	State	\$ 1,036	\$ 664	\$ 407

	Total			
	current			
Total current	income			
income tax	tax			
expense	expense	\$ 11,067	\$ 6,873	\$ 4,796
Deferred income tax				
expense/(benefit)				
Deferred income tax				
(benefit)/expense				
Deferred income tax				
(benefit)/expense				
Deferred income tax				
(benefit)/expense				
Federal				
Federal				
Federal	Federal	\$ (196)	\$ 968	\$ (234)
Foreign	Foreign	\$ (249)	\$ 3	\$ 14
State	State	\$ (38)	\$ 29	\$ (53)
Total deferred income tax				
expense/(benefit)		\$ (483)	\$ 1,000	\$ (273)
Total deferred				
income tax				
(benefit)/expense				
Total	Total	\$ 10,584	\$ 7,873	\$ 4,523
Total				
Total				

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax

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purposes. Significant components of the Company's net deferred income taxes are as follows (in thousands):

		Years ended	
		December 31	
		2022	2021
Year ended December 31		Year ended December 31	
2023		2022	
Deferred Tax Assets	Deferred Tax Assets		
Allowance for Doubtful Accounts			
Allowance for Doubtful Accounts			
Allowance for Doubtful Accounts	Allowance for Doubtful Accounts	\$ 26	\$ 49
263(A) Adjustment	263(A) Adjustment	190	122
Accrued Expenses	Accrued Expenses	526	601
Inventory Reserve	Inventory Reserve	152	26
Unrealized loss	Unrealized loss	21	57

State Tax Credit	State Tax Credit	174	152
NOL Carryforward and Other	NOL Carryforward and Other	232	295
Stock Compensation	Stock Compensation	73	38
Capitalized Acquisition Costs	Capitalized Acquisition Costs	65	61
Capitalized Research and Development	Capitalized Research and Development	898	—
Right of Use Lease Liability	Right of Use Lease Liability	3,154	2,484
Less Valuation Allowance	Less Valuation Allowance	(83)	(81)
Total deferred tax assets	Total deferred tax assets	\$ 5,428	\$ 3,804
Deferred Tax Liabilities	Deferred Tax Liabilities		
Deferred Tax Liabilities			
Deferred Tax Liabilities			
Fixed and Intangible Assets			
Fixed and Intangible Assets			
Fixed and Intangible Assets	Fixed and Intangible Assets	\$ 4,465	\$ 4,039
Unrealized Gain	Unrealized Gain	15	15
Accretion		—	1
Right of Use Lease Asset			
Right of Use Lease Asset			
Right of Use Lease Asset	Right of Use Lease Asset	2,997	2,497
Total deferred tax liabilities	Total deferred tax liabilities	7,477	6,552
Total net deferred tax liabilities	Total net deferred tax liabilities	\$ (2,049)	\$ (2,748)

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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company regularly assesses the likelihood that the deferred tax assets will be recovered from future taxable income. The Company considers projected future taxable income, the reversal of taxable temporary differences, and ongoing tax planning strategies, then records a valuation allowance, if deemed necessary, to reduce the carrying value of the net deferred taxes to an amount that is more likely than not able to be realized. Based upon the Company's assessment of all available evidence, including the previous two years of taxable income and loss after permanent items, estimates of future profitability, and the Company's overall prospects of future business, the Company determined that it is more likely than not that the Company will realize all of its deferred tax assets in the future, with the exception of an immaterial valuation allowance recorded against net operating losses and intangibles in foreign jurisdictions. The Company will continue to assess the potential realization of deferred tax assets on an annual basis, or an interim basis if circumstances warrant. If the Company's actual results and updated projections vary significantly from the projections used as basis for this determination, the Company may need to change the valuation allowance against the gross deferred tax assets.

The Company has net operating losses in certain of its foreign subsidiaries of **\$1.0 million** **\$0.9 million** available to apply against future taxable income. Losses of **\$0.8 million** **\$0.3 million** have no expiration date. The Company has recorded a valuation allowance based on the lack of positive available evidence of realizability of acquired net operating losses of \$0.3 million. The Company has state tax credits of \$0.2 million available to apply against future taxable income. These credits begin to expire in the year 2039.

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Reconciliation of Unrecognized Tax Benefits from Uncertain Tax Positions (in thousands)

		Years Ended December 31,					
		2022	2021	2020			
Year Ended December 31,					Year Ended December 31,		
2023					2023	2022	2021
Beginning	Beginning						
unrecognized	unrecognized						
tax benefits	tax benefits	\$ 129	\$ 129	\$ —			
Increase related tax							
positions of prior years		\$ 15	\$ —	\$ 129			
Increase in related tax							
positions of prior years							
Increase in related tax							
positions of prior years							
Increase in related tax							
positions of prior years							
Lapse of							
statute of							
limitations							
Ending	Ending						
unrecognized	unrecognized						
tax benefits	tax benefits	\$ 144	\$ 129	\$ 129			
Ending unrecognized tax							
benefits							
Ending unrecognized tax							
benefits							

The Company recognizes the tax effects of an uncertain tax position only if it is more likely than not to be sustained based solely upon its technical merits at the reporting date. The unrecognized tax benefit is the difference between the tax benefit recognized and the tax benefit claimed on the Company's income tax return. The Company has an unrecognized tax benefit as of the year ended **December 31, 2022** **December 31, 2023** in the amount of \$0.2 million related to an uncertain tax position in one of its foreign jurisdictions. This amount includes an estimate for interest and penalties and are included in income tax expense. The liability is reflected in other long-term liabilities on the Company's balance sheet. The Company expects a reduction of the position in **2023** **2024** related to expiring statutes. The unrecognized tax benefits in the table above includes \$0.1 million as of **December 31, 2022** **December 31, 2023**, that, if recognized, would have impacted income tax expense. The Company believes that all material tax positions in the current and prior years have been analyzed and properly accounted for and that the risk of additional material uncertain tax positions that have not been identified is remote.

The Company plans to indefinitely reinvest foreign earnings and does not expect to repatriate earnings for the foreseeable future. Determination of the amount of unrecognized deferred tax liabilities related to investment in these foreign subsidiaries is not practicable.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is still subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years **2015** **2016** and after. There are no ongoing or pending IRS, state or foreign examinations.

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15. COMMITMENTS AND CONTINGENCIES

CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with 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 litigation and claims having a material impact on our results of operations, cash flows or financial position is remote. See Note 13, Fair Value Measurements, of the Notes to our Consolidated Financial Statements for further information related to contingent liabilities.

16. LEASES

We lease space under non-cancelable operating leases for office space, warehouse facilities, and installation locations. We also lease vehicles and equipment to support our global operations. We have not elected the practical expedient to combine lease and non-lease components. We have also elected to adopt the package of practical expedients that allow us not to reassess whether expired leases are or contain leases, not to reassess the lease classification of existing leases, and not to reassess initial direct costs for existing leases.

Some of our leases contain options to renew. The exercise of lease renewals is at our sole discretion; therefore, the renewals to extend the lease terms are not included in our right-of-use assets as it is not

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reasonably certain that they will be exercised. We regularly evaluate the renewal options and, when they are reasonably certain of exercise, we include the renewal period in our lease term.

We use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. In determining our incremental borrowing rate for each lease, we use a rate for collateralized borrowings with a term similar to the life of the lease. We have a centrally managed treasury function; therefore, based on the applicable lease terms and the current economic environment, we apply a portfolio approach for determining the incremental borrowing rate.

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Balance sheet information related to operating leases is as follows:

		December 31, 2022	December 31, 2021
December 31, 2023		December 31, 2023	
		December 31, 2022	
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 15,309	\$ 12,910
Current portion of operating lease liabilities	Current portion of operating lease liabilities	3,885	2,978
Current portion of operating lease liabilities			
Current portion of operating lease liabilities			
Noncurrent portion of operating lease liabilities	Noncurrent portion of operating lease liabilities	12,119	9,830

Total operating lease liabilities	Total operating lease liabilities	\$ 16,004	\$ 12,808
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We had operating lease expense of \$4.2 million, \$5.0 million, \$2.7 million, \$4.2 million, and \$1.5 million, \$2.7 million, respectively, for the years ended December 31, 2022, December 31, 2023, 2021, 2022, and 2020, 2021. For the year ended December 31, 2023, we had negligible short-term lease expenses, and cash payments on leases, and variable expenses were \$4.6 million, and \$0.1 million, respectively. For the year ended December 31, 2022, short-term lease expenses, cash payments on leases, and variable lease expenses were \$0.6 million, \$3.5 million, and \$0.4 million, respectively. For the year ended December 31, 2021, short-term lease expense, cash payments on leases, and variable lease expenses were \$0.5 million, \$2.7 million, and \$0.3 million, respectively. We have elected not to apply balance sheet recognition to short-term leases.

Weighted-average information associated with the measurement of our remaining operating lease obligations is as follows:

		December 31, 2022		December 31, 2021	
		December 31, 2023		December 31, 2022	
Weighted-average remaining lease term (in years)	Weighted-average remaining lease term (in years)	5.3	5.1	4.4	5.3
Weighted-average discount rate	Weighted-average discount rate	5.0 %	4.7 %	5.5 %	5.0 %

The following table summarizes the maturity of our operating lease liabilities as of December 31, 2022, December 31, 2023:

2023		\$	4,060
2024	2024		3,596
2025	2025		3,012
2026	2026		2,762
2027	2027		2,022
2028			
Thereafter	Thereafter		3,462
Total operating lease payments	Total operating lease payments		18,914
Less: interest	Less: interest		(2,910)
Total operating lease liabilities	Total operating lease liabilities	\$	16,004

17. EARNINGS PER SHARE

We 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 the effect of granted incremental restricted stock units.

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The following table reconciles basic and diluted weighted average shares used in the computation of earnings per share (in thousands except per share values):

		Fiscal Year Ended December 31,					
		Fiscal Year Ended December 31,			Fiscal Year Ended December 31,		
Numerator	Numerator	2022	2021	2020	Numerator	2023	2022
Net income	Net income	\$41,381	\$31,567	\$18,282			
Denominator	Denominator						
Weighted average basic shares							

Weighted average basic shares				
Weighted average basic shares	Weighted average basic shares	27,614	27,613	27,613
Dilutive effect of restricted stock units	Dilutive effect of restricted stock units	2	—	—
Weighted average diluted shares	Weighted average diluted shares	27,616	27,613	27,613
Earnings per share				
Basic	Basic	\$ 1.50	\$ 1.14	\$ 0.66
Basic				
Basic				
Diluted	Diluted	\$ 1.50	\$ 1.14	\$ 0.66

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

During 2021, the Audit Committee (the "Committee") of the Board of Directors conducted a competitive selection process to determine the Company's independent registered public accounting firm for the fiscal year ending December 31, 2021. The Committee invited several international public accounting firms to participate in this process, including Baker Tilly US, LLP, or Baker Tilly, the Company's independent registered public accounting firm for the fiscal year ended December 31, 2020. As a result of this process, on July 13, 2021, the Committee approved the appointment of Deloitte & Touche LLP, or Deloitte, as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2021. This action effectively dismissed Baker Tilly as the Company's independent registered public accounting firm as of July 13, 2021.

The audit reports of Baker Tilly on the consolidated financial statements of XPEL and its subsidiaries as of and for the years ended December 31, 2020 and December 31, 2019 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

In connection with the audit of the Company's consolidated financial statements for the fiscal years ended December 31, 2020 and December 31, 2019 and through the date of this Annual Report on Form 10-K, there were: (i) no disagreements between the Company and Baker Tilly on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Baker Tilly, would have caused Baker Tilly to make reference to the subject matter of the disagreement in their report on the Company's financial statements for such year, and (ii) no reportable events within the meaning set forth in Item 304(a)(1)(v) of Regulation S-K.

The Committee approved the change in the independent registered public accounting firm described herein.

Prior to the change in July 2021 and at all times prior thereto, the Company had not consulted with Deloitte with respect to: (i) the application of accounting principles to a specified transaction, either completed or proposed or the type of audit opinion that might be rendered on the Company's financial statements and no written report or oral advice was provided to the Company by Deloitte that Deloitte concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K). **None.**

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We 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, 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 ("CEO") and Chief Financial Officer ("CFO"), 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 Securities Exchange Act) as of the end of the period covered by this Annual Report. Based on such evaluation, our CEO and CFO have each concluded that as of the end of the period covered by this Annual 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 Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC'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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act). In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal

Control - Integrated Framework (2013 Framework). Our management has concluded that we maintained effective internal control over financial reporting as of **December 31, 2022** **December 31, 2023**.

Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all controls issues and instances of fraud, if any, within the Company have been detected.

Our internal control over financial reporting as of **December 31, 2022** **December 31, 2023** has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report on our internal control over financial reporting which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of **Directors of XPEL, Inc.**

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of XPEL, Inc. and subsidiaries (the "Company") as of **December 31, 2022** **December 31, 2023**, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of **December 31, 2022** **December 31, 2023**, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended **December 31, 2022** **December 31, 2023**, of the Company and our report dated **February 28, 2023** **February 28, 2024**, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Austin, Texas
February 28, **2023**

2024

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter of **2022** **2023** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive and Corporate Governance

The information required by this Item is set forth under the headings "Corporate Governance," "Directors," "Executive Officers" and "Other Information—Security Ownership of Certain Beneficial Owners and Management" in the Company's 2023 2024 Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023, and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item is set forth under the heading "Executive Compensation," under the subheadings "Board Oversight of Risk Management" and "Compensation Committee Interlocks and Insider Participation" under the heading "Corporate Governance" and under the subheadings "Compensation of Directors" and "Director Compensation - 2022" 2023" under the heading "Directors" in the Company's 2023 2024 Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is set forth under the headings "Other Information—Security Ownership of Certain Beneficial Owners and Management" and "Other Information—Equity Compensation Plan Information" in the Company's 2023 2024 Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is set forth under the subheadings "Board Committees", "Review, Approval, or Ratification of Transactions with Related Persons" and "Transactions with Related Persons" under the heading "Corporate Governance" in the Company's 2023 2024 Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item is set forth under the subheadings "Fees Paid to Auditors" and "Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services Performed by the Independent Registered Public Accounting Firm" under the proposal "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Company's 2023 2024 Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023, and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

See Index to Financial Statements at Item 8 herein.

2. Financial Statement Schedules

Schedules not listed above have been omitted because they are not required, not applicable, or the required information is otherwise included.

3. Exhibits

The exhibits listed below are filed or furnished as part of this Annual Report or are incorporated herein by reference, in each case as indicated below.

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit/Appendix	Filing Date
3.1	Articles of Incorporation of the Company, filed with the Nevada Secretary of State on October 14, 2003	10-12B	3.1	04/03/2019
3.2	Certificate of Amendment to the Articles of Incorporation of the Company, filed with the Nevada Secretary of State on December 29, 2003	10-12B	3.2	04/03/2019
3.3	Certificate of Amendment to the Articles of Incorporation of the Company, filed with the Nevada Secretary of State on June 3, 2018	10-12B	3.3	04/03/2019
3.4	Amended and Restated Bylaws of the Company, effective as of November 18, 2019	8-K	3.1	11/18/2019

3.5	Amended and Restated Bylaws of the Company, effective as of October 31, 2023	8-K	3.1	11/01/2023
4.1	Description of Securities of the Registrant	10-K	4.1	03/16/2020
10.1	Credit Agreement Dated April 6, 2023	8-K	10.1	04/06/2023
10.2	Credit Facility Letter, dated September 11, 2018, by and among XPEL Canada Corp., as borrower, XPEL, Inc., as guarantor, and HSBC Bank Canada, as lender.	10-12B/A	10.3	05/30/2019
10.3	Distribution Agreement dated May 31, 2018 by and between the Company and Shanghai Xing Ting Trading Co., Ltd.	10-12B/A	10.5	05/30/2019
10.4*+	XPEL, Inc. 2020 Equity Incentive Plan, as amended on May 24, 2023			
10.5+	Form of Restricted Stock Unit Agreement	10-Q	10.1	08/09/2021
10.6+	Form of Performance Restricted Stock Unit Award Agreement	10-Q	10.1	08/09/2023
14.1	Code of Business Conduct and Ethics	10-12B/A	14.1	04/24/2019
19.1*	XPEL, Inc. Second Amended and Restated Insider Trading Policy, effective as of May 24, 2023			
21.1*	Subsidiaries of the Company			
23.1*	Consent of Deloitte & Touche, LLP			

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit/Appendix	Filing Date
3.1	Articles of Incorporation of the Company, filed with the Nevada Secretary of State on October 14, 2003	10-12B	3.1	04/03/2019
3.2	Certificate of Amendment to the Articles of Incorporation of the Company, filed with the Nevada Secretary of State on December 29, 2003	10-12B	3.2	04/03/2019
3.3	Certificate of Amendment to the Articles of Incorporation of the Company, filed with the Nevada Secretary of State on June 3, 2018	10-12B	3.3	04/03/2019
3.4	Amended and Restated Bylaws of the Company, effective as of November 18, 2019	8-K	3.1	11/18/2019
4.1	Description of Securities of the Registrant	10-K	4.1	03/16/2020
10.1	Amended Loan Agreement	8-K	10.1	01/04/2022
10.2	Credit Facility Letter, dated September 11, 2018, by and among XPEL Canada Corp., as borrower, XPEL, Inc., as guarantor, and HSBC Bank Canada, as lender.	10-12B/A	10.2	05/30/2019
10.3	Distribution Agreement dated May 31, 2018 by and between the Company and Shanghai Xing Ting Trading Co., Ltd.	10-12B/A	10.5	05/30/2019
10.4	XPEL, Inc. 2020 Equity Incentive Plan	Schedule 14A	A	04/17/2020
10.5+	Form of Restricted Stock Unit Agreement	10-Q	10.1	08/09/2021
14.1	Code of Business Conduct and Ethics	10-12B/A	14.1	04/24/2019
16.1	Letter regarding change in certifying accountants	8-K	16.1	07/14/2021
21.1*	Subsidiaries of the Company			
23.1*	Consent of Baker Tilly US, LLP			
23.2*	Consent of Deloitte & Touche, LLP			
31.1*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer			
31.2*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer			
32.1**	Section 1350 Certifications of Chief Executive Officer			
32.2**	Section 1350 Certifications of Chief Financial Officer			
101*	Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K			
104*	Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set			

24.1*	Power of Attorney
31.1*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer
31.2*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer
32.1**	Section 1350 Certifications of Chief Executive Officer
32.2**	Section 1350 Certifications of Chief Financial Officer
97.1*+	XPEL, Inc. Compensation Clawback Policy, effective as of October 31, 2023.
101*	Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K
104*	Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set

* Filed herewith

** Furnished herewith

+Management Compensatory Plan or Agreement

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

XPEL, Inc. (Registrant)

By: /s/ Barry R. Wood

Barry R. Wood

Senior Vice President and Chief Financial Officer

(Authorized Officer and Principal Financial and Accounting Officer)

Date: February 28, 2023 2024

Pursuant to the requirements of the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the dates indicated.

Name and Signature	Title	Date
<u>/s/ Ryan L. Pape</u> Ryan L. Pape	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2023 2024
<u>/s/ Barry R. Wood</u> Barry R. Wood	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2023 2024
<u>/s/ Stacy L. Bogart*</u> Stacy L. Bogart	Director	February 28, 2023 2024
<u>/s/ Richard K. Crumly*</u> Richard K. Crumly	Director	February 28, 2023 2024
<u>/s/ Michael A. Klonne*</u> Michael A. Klonne	Director	February 28, 2023 2024
<u>/s/ Mark E. Adams*</u> Mark E. AdamsJohn F. North	Director	February 28, 2023 2024

*By: /s/ Babatunde Awodiran

Babatunde Awodiran

Attorney-in-fact

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Appendix A-1 Appendix A XPEL, INC. 2020 EQUITY INCENTIVE PLAN 1. Purposes of the Plan. The purposes of this Plan are: • to attract and retain the best available personnel for positions of substantial responsibility; • to provide additional incentive to Employees, Directors and Consultants; and • to promote the success of the Company's Business. 2. Definitions. As used herein, the following definitions will apply: (a) "Administrator" means the Committee. (b) "Applicable Laws" means the legal and regulatory requirements relating to the administration of equity-based awards and the related issuance of Shares thereunder including, but not limited to U.S. federal and state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any non-U.S. country or jurisdiction where Awards are, or will be, granted under the Plan. (c) "Award" means, individually or collectively, a grant under the Plan of Options, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares or Other Share-Based Awards. (d) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan. (e) "Beneficial Ownership" has the meaning set forth in Rule 13d-3 promulgated under the Exchange Act. (f) "Board" means the Board of Directors of the Company. (g) "Cause" means, in the absence of an Award Agreement or employment or service agreement with the Participant otherwise defining Cause, (i) a Participant's conviction of or indictment for any crime (whether or not involving the Company or any Parent or Subsidiary of the Company) (A) constituting a felony or (B) that has, or could reasonably be expected to result in, an adverse impact on the performance of the Participant's duties to the Company or any Parent or Subsidiary of the Company, or otherwise has, or could reasonably be expected to result in, an adverse impact on the business or reputation of the Company or any Parent or Subsidiary of the Company, (ii) conduct of a Participant, in connection with his employment or service, that has, or could reasonably be expected to result in, material injury to the business or reputation of the Company or any Parent or Subsidiary of the Company, (iii) any material violation of the policies of the Company or any Parent or Subsidiary of the Company including, but not limited to, those relating to sexual harassment or the disclosure or misuse of confidential information, or those set forth in the manuals or statements of policy of the Company or any Parent or Subsidiary of the Company, (iv) willful neglect in the performance of a Participant's duties for the Company or any Parent or Subsidiary of the Company or willful or repeated failure or refusal to perform such duties, (v) acts of willful misconduct on the part of a Participant in the course of his employment or service that has, or could be reasonably expected to result in, material injury to the reputation or business of the Company or any Parent or Subsidiary of the Company, (vi) embezzlement, misappropriation or fraud committed by a Participant or at his direction, or with his personal knowledge, in the course of his employment or service, that has, or could be reasonably expected to result in, material injury to the reputation or business of the Company or any Parent or Subsidiary of the Company, or (vii) a Participant's breach of any material provision of any employment or service agreement that has, or could be reasonably expected to result in, material injury to the reputation or business of the Company or any Parent or Subsidiary of the Company, which breach is not susceptible to cure, or that is not cured within thirty (30) days after the Participant is given written notice of such breach by the Company, provided, however, that if, subsequent to a Participant's voluntary termination for any reason or involuntary termination by the Company or any Parent or Subsidiary of the Company without Cause, it is discovered that the Participant's employment or service could have been terminated for Cause, upon determination by the Administrator, such Participant's employment or service shall be deemed to have been terminated for Cause for all purposes under this Plan. In the event there is an Award Agreement or an employment or service agreement with the Participant defining Cause, "Cause" shall have the meaning provided in such agreement, and a termination by the Company or any Parent or Subsidiary of the Company for Cause hereunder shall not be deemed to have occurred unless all applicable notice and cure periods in such Award Agreement or employment or service agreement are complied with. The Administrator shall have the sole discretion to determine whether a Participant has been terminated for Cause. (h) "Change in Control" means the occurrence of any of the following events:



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Appendix A-2 (i) A change in the ownership of the Company which occurs on the date that any one person (within the meaning of Section 13(d) of the Exchange Act), or more than one person acting as a group ("Group"), acquires Beneficial Ownership of the stock of the Company that, together with the stock held by such person, constitutes more than twenty percent (20%) of the total voting power of the stock of the Company; (ii) The consummation of a merger or consolidation of the Company with any other corporation or other entity, or the issuance of voting securities in connection with a merger or consolidation of the Company pursuant to applicable stock exchange requirements; provided that immediately following such merger or consolidation the voting securities of the Company outstanding immediately prior thereto do not continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity of such merger or consolidation or parent entity thereof) fifty percent (50%) or more of the total voting power of the Company's stock (or, if the Company is not the surviving entity of such merger or consolidation, fifty percent (50%) or more of the total voting power of the stock of such surviving entity or parent entity thereof); (iii) during any 12-consecutive month period, the individuals who, at the beginning of such period, constitute the Board ("Incumbent Directors") cease for any reason other than death to constitute at least a majority of the members of the Board; provided, however, that except as set forth in this Section 2(h)(iii), an individual who becomes a member of the Board subsequent to the beginning of the 12-month period, shall be deemed to have satisfied such 12-month requirement and shall be deemed an Incumbent Director if such Director was elected by or on the recommendation of, or with the approval of, at least two-thirds of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such period) or by operation of the provisions of this Section; if any such individual initially assumes office as a result of or in connection with either an actual or threatened solicitation with respect to the election of Directors (as such terms are used in Rule 14a-12(c) of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitations of proxies or consents by or on behalf of a person other than the Board, then such individual shall not be considered an Incumbent Director; or (iv) the sale, transfer, or assignment to, or other action by any person of all or substantially all of the Company's assets and business in one or a series of related transactions. For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation or other entity that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation; or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. Notwithstanding the foregoing, to the extent an Award or any payment thereunder is considered "deferred compensation" subject to Section 409A of the Code, a Change in Control shall not occur unless such transaction constitutes a change in the ownership of the Company, a change in the effective control of the Company, or a change in the ownership of a substantial portion of the Company's assets under Section 409A of the Code. (i) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder will include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation. (j) "Committee" means the compensation committee of the Board, unless another duly authorized committee is designated by the Board, in accordance with Section 4 hereof. If there is no compensation committee of the Board and the Board does not designate another committee, references herein to the "Committee" shall refer to the Board. (k) "Common Stock" means the common stock, par value \$0.001 per share, of the Company. (l) "Company" means XPEL, Inc., a Nevada corporation, or any successor thereto. (m) "Consultant" means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary to render bona fide services to such entity, provided the services (i) are not in connection with the offer or sale of securities in a capital-raising transaction, and (ii) do not directly promote or maintain a market for the Company's securities, in each case, within the meaning of Form S-8 promulgated under the Securities Act; and provided, further, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act. For the avoidance of doubt, a Consultant will include advisory members of the Board. (n) "Data" means certain personal information about a Participant including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality.



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Appendix A-3 job title, any Shares or directorships held in the Company and details of all Awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor. (o) "Director" means a member of the Board. (p) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time. (q) "Employee" means any person, including Officers and Inside Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company. (r) "Exchange Act" means the Securities Exchange Act of 1934, as amended. (s) "Fair Market Value" means, as of any date, the closing sales price for Common Stock as quoted on any established stock exchange or national market system (including without limitation the New York Stock Exchange, NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of the NASDAQ Stock Market) on which the Common Stock is listed on the date of determination (or the closing bid, if no sales were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable. If the determination date for the Fair Market Value occurs on a non-trading day (i.e., a weekend or holiday), the Fair Market Value will be such price on the immediately preceding trading day, unless otherwise determined by the Administrator. In the absence of an established market for the Common Stock, the Fair Market Value thereof will be determined in good faith by the Administrator utilizing a reasonable application of a reasonable valuation method in accordance with Treasury Regulation §1.409A-1(b)(5)(iv)(B). The determination of fair market value for purposes of tax withholding may be made in the Administrator's discretion subject to Applicable Laws and is not required to be consistent with the determination of Fair Market Value for other purposes. (t) "Fiscal Year" means the fiscal year of the Company. (u) "Good Reason" means, in the absence of an Award Agreement or employment or service agreement with the Participant otherwise defining Good Reason: (i) a reduction in Participant's annual base salary as in effect immediately prior to a Change in Control or as the same may be increased from time to time; (ii) a change in the principal place of Participant's employment, as in effect at the time of a Change in Control, to a location more than fifty (50) miles from such principal place of employment, excluding required travel on the Company's business; or (iii) the failure by the Company or any successor, without Participant's consent, to pay to Participant any portion of Participant's current compensation, or to pay to Participant any portion of any deferred compensation, within ten (10) days of the date any such compensation payment is due. Notwithstanding the above, an event listed in (i)-(iii) above will only constitute Good Reason if (A) Participant notifies the Board in writing of the underlying circumstances constituting Good Reason within thirty (30) days of the occurrence of the circumstances constituting Good Reason, (B) the Company fails to cure such circumstances within thirty (30) days after receiving written notice thereof, and (C) Participant terminates his or her employment within thirty (30) days after such cure period has expired. (v) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder. (w) "Inside Director" means a Director who is an Employee. (x)



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Appendix A-4 (aa) "Other Share-Based Award" means an Award granted pursuant to Section 10 that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares or factors that may influence the value of Shares, including convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, purchase rights for Shares, dividend rights or dividend equivalent rights or Awards with value and payment contingent upon service with performance of the Company, its Subsidiaries or business units thereof or any other factors designated by the Committee. (bb) "Outside Director" means a Director who is not an Employee. (cc) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code. (dd) "Participant" means the holder of an outstanding Award. (ee) "Performance Share" means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 9. (ff) "Performance Unit" means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 9. (gg) "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and, therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator. (hh) "Plan" means this 2020 Equity Incentive Plan. (i) "Restricted Stock" means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option. (jj) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company. (kk) "Section 409A" means Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time. (ll) "Securities Act" means the Securities Act of 1933, as amended. (mm) "Service Provider" means an Employee, Director or Consultant. (nn) "Share" means a share of the Company's Common Stock, par value \$0.001 per share, as adjusted in accordance with Section 13 of the Plan. (oo) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code. 3. Stock Subject to the Plan. (a) Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is 550,000 Shares. (a) Lapsed Awards. For purposes of determining the number of Shares available for issuance under the Plan: (i) If any Award expires or is terminated, surrendered or cancelled or otherwise becomes unexercisable without having been exercised in full, is forfeited in whole or in part including, without limitation, any Award which is forfeited to the Company due to failure to vest, then the unvested Shares (or, for Awards other than Options, the forfeited or unused Shares), which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). (i) Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are forfeited to the Company, such Shares will become available for future grant under the Plan.



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Appendix A-5 (ii) To the extent an Award under the Plan is settled or paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. (iv) Shares repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of Shares available for issuance under the Plan. (v) Notwithstanding the foregoing and, subject to adjustment as provided in Section 13, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Section 3(b). (b) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan. 4. Administration of the Plan. (a) Administration; Delegation. The Plan shall be administered by the Committee. To the extent permitted by Applicable Law, the Committee may delegate to one or more officers of the Company some or all of its authority under the Plan, including the authority to grant Awards (except that such delegation shall not be applicable to any Award for a person then covered by Section 16 of the Exchange Act). (b) Powers of the Administrator. Subject to the provisions of the Plan and Applicable Law, the Administrator (or its delegate) will have the authority, in its discretion: (i) to determine the Fair Market Value; (ii) to select the Service Providers to whom Awards may be granted hereunder; (iii) to determine the number of Shares to be covered by each Award granted hereunder; (iv) to approve forms of Award Agreements for use under the Plan; (v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine; (vi) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan; (vii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable non-U.S. laws or for qualifying for favorable tax treatment under applicable non-U.S. laws; (viii) to modify or amend each Award (subject to Section 19 of the Plan and Applicable Law) including, but not limited to, the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 8(b) of the Plan regarding Incentive Stock Options); (ix) to allow Participants to satisfy tax withholding obligations in such manner as prescribed in Section 14 of the Plan; (x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator; (xi) to determine the timing and characterization or reason for a Participant's termination of employment or service with the Company; and (xii) to make all other determinations deemed necessary or advisable for administering the Plan. (c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards. (d) Indemnification. In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by Applicable Laws, the Committee shall be indemnified by the Company against



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Appendix A-6 the reasonable expenses, including attorney's fees, actually incurred in connection with any action, suit or proceeding or in connection with any appeal therein, to which the Committee may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted under the Plan, and against all amounts paid by the Committee in settlement thereof (provided, however, that the settlement has been approved by the Company, which approval shall not be unreasonably withheld) or paid by the Committee in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee did not act in good faith and in a manner which such person reasonably believed to be in the best interests of the Company, or in the case of a criminal proceeding, had no reason to believe that the conduct complained of was unlawful; provided, however, that within 60 days after the institution of any such action, suit or proceeding, such Committee shall, in writing, offer the Company the opportunity at its own expense to handle and defend such action, suit or proceeding; 5. Eligibility. Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and Other Share-Based Awards may be granted to Service Providers. Incentive Stock Options may be granted only to Employees. 6. Stock Options. (a) Limitations. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate fair market value of the shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The fair market value of the shares will be determined as of the time the option with respect to such shares is granted. To the extent that an Option is not designated as an Incentive Stock Option in the Award Agreement, or even if so designated does not qualify, in whole or in part, as an Incentive Stock Option at or subsequent to the date of grant, such Option, or the non-qualifying portion thereof, shall be a Nonstatutory Stock Option. Notwithstanding the foregoing, the Company shall have no liability to any Participant or any other person if an Option designated as an Incentive Stock Option fails to qualify as such at any time or if an Option is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the terms of such Option do not satisfy the requirements of Section 409A of the Code. (b) Term of Option. The term of each Option will be stated in the Award Agreement. In the case of an Incentive Stock Option, the term will be ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement. (c) Option Exercise Price and Consideration. (i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following: (1) In the case of an Incentive Stock Option: (A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant; (B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant; (2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. (3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code and Section 409A of the Code. (ii) Transferability. Notwithstanding as otherwise provided in Section 12, an Incentive Stock Option will not be transferable other than by will or the laws of descent and distribution and will be exercisable during the Participant's lifetime only by such Participant or his guardian or legal representative.



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Appendix A-7 (ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised. (iv) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws; (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise; (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (8) any combination of the foregoing methods of payment. (d) Exercise of Option. (i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option will be deemed exercised when the Company receives: (i) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan. (ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited and cancelled. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate. (iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited and cancelled. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate. (iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited and cancelled. If the Option is not so exercised within the time specified herein, the Option will terminate.



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Appendix A-8 (v) Prohibition on Repricing. Except as otherwise provided in Section 13, without the prior approval of stockholders of the Company: (A) the exercise price of an Option may not be reduced, directly or indirectly, (B) an Option may not be cancelled in exchange for cash, other Awards, or Options with an exercise or base price that is less than the exercise price of the original Option, and (C) the Company may not repurchase an Option for value (in cash or otherwise) from a Participant if the current Fair Market Value of the Shares underlying the Option is lower than the exercise price per share of the Option. 7. Restricted Stock. (a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine. (b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed. (c) Transferability. Except as provided in this Section 7 or the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction. (d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate. (e) Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed. (f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise. (g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid. (h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan. 8. Restricted Stock Units. (a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units. (b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon continued employment or service and/or the achievement of Company-wide, divisional, business unit, or individual goals or any other basis determined by the Administrator in its discretion. (c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payment in respect of the underlying Shares as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout. (d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made at such times as determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may only settle earned Restricted Stock Units in cash, Shares, or a combination of both. (e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited and cancelled.



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Appendix A:9.9. Performance Units and Performance Shares. (a) Grant of Performance Units/Shares. Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant. (b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant. (c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued employment or service as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals or any other basis determined by the Administrator in its discretion. (d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payment in respect of units/Shares underlying the Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share. (e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made at such times as determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof. (f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited and cancelled. 10. Other Share-Based Awards. The Administrator is authorized, subject to limitations under Applicable Law, to grant Other Share-Based Awards. The Administrator shall determine the terms and conditions of such Awards. Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 10 shall be purchased for such consideration, and paid for at such times, by such methods and in such forms, including cash, Shares, other Awards, other property, net settlement, broker-assisted cashless exercise or any combination thereof, as the Administrator shall determine; provided that the purchase price therefor shall not be less than the Fair Market Value of such Shares on the date of grant of such right.

11. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an

Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1st) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option. 12. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will, by the laws of descent or distribution or to a trust or estate planning vehicle (provided that such trust or estate planning vehicle is approved by the Administrator), and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate. 13. Adjustments: Dissolution or Liquidation; Merger or Change in Control. (a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, separation, rights offering, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, issuance of Shares pursuant to the anti-dilution provisions of securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, or in the event that there are changes in Applicable Laws, regulations or accounting principles, the Administrator, in order to prevent diminution or enlargement of



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Appendix A-10 the benefits or potential benefits intended to be made available under the Plan, will, subject to compliance with Section 409A of the Code and other Applicable Law, adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, the terms and conditions of any outstanding Award and the numerical Share limits in Section 3 of the Plan. (b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action. (c) Change in Control. Notwithstanding any other provision in this Plan to the contrary, the following provisions shall apply unless otherwise provided in the most recently executed award agreement between the Service Provider and the Company, or specifically prohibited under applicable laws including, without limitation, Section 409A of the Code, or by the rules and regulations of any applicable governmental agencies or national securities exchanges or quotation systems: (i) In the event that (i) with respect to Awards assumed by the surviving entity of the Change in Control (the "Surviving Entity") or otherwise equitably converted or substituted in connection with a Change in Control, in the event of a Service Provider's death or Disability or in the event a Service Provider's employment is terminated by the Surviving Entity (or a Parent or a Subsidiary which is his or her employer) for reasons other than Cause or if a Service Provider voluntarily terminates his or her employment for Good Reason within 24 months following a Change in Control, or (ii) the Plan is terminated by the Surviving Entity or an affiliate of the Surviving Entity following a Change in Control without provision for the continuation of outstanding Awards hereunder or equitable conversion or substitution of such Award in connection with the Change in Control in a manner approved by the Administrator, all Awards which have not otherwise expired shall be Accelerated (as defined below). If, upon a Change in Control, awards in other shares or securities are continued or equitably converted or substituted for outstanding Awards pursuant to Section 13(a), and immediately following the Change in Control the Service Provider becomes employed (if the Service Provider was an employee immediately prior to the Change in Control) by the Surviving Entity or any affiliate of the Surviving Entity, or a successor to the Surviving Entity or any affiliate of the Surviving Entity, the Service Provider shall not be treated as having terminated employment or service for purposes of this Section 13 until such time as the Participant's employment or service with the Surviving Entity, as applicable, is terminated. The terms of this Section 13 shall apply to all Awards, except to the extent that an Award Agreement provides for different treatment (in which case the terms of the Award Agreement shall govern and this Section 13(c) shall not be applicable). (ii) For purposes of this Section 13(c), Awards of a Service Provider being "Accelerated" means, with respect to such Service Provider: (A) any and all Options shall become fully vested and immediately exercisable, and shall remain exercisable throughout their entire term; and (B) any restriction periods and restrictions imposed on Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and Other Share-Based Awards shall lapse and with respect to Awards with performance-based vesting, unless specifically provided otherwise under the applicable Award Agreement, a Company policy applicable to the Service Provider or other written agreement between the Service Provider and the Company, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. (iii) For the purposes of this Plan, an Award shall be considered assumed by the Surviving Entity or otherwise equitably converted or substituted if following the applicable transaction the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the applicable transaction, on substantially the same vesting and other terms and conditions as were applicable to the Award immediately prior to the applicable transaction; the consideration (whether stock, cash or other securities or property) received in the applicable transaction by holders of Shares for each Share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the applicable transaction is not solely common stock of the successor or subsidiary, the Administrator may, with the consent of the successor company or its parent or subsidiary, provide that the consideration to be received upon the exercise or vesting of an Award, for each Share subject thereto, will be solely common stock of the successor company or its parent or subsidiary substantially equal in fair market value to the per share consideration received by holders of Shares in the applicable transaction. The determination of such substantial equality of value of consideration shall be made by the Administrator in its sole discretion and its determination shall be conclusive and binding. (d) Outside Director Awards. With respect to Awards granted to an Outside Director, in the event of a Change in Control, then the Outside Director will fully vest in and have the right to exercise Options as to all of the Shares underlying such Award, including those Shares which would not otherwise be vested or exercisable, all restrictions on Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and Other Share-Based Awards will lapse, and, with respect to Awards with performance-based vesting, unless specifically provided otherwise under the applicable Award Agreement, a Company policy applicable to the Outside Director, or other written agreement between the Outside Director and the Company, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.



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Appendix A-11 14. Tax. (a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, the Company will have the power and the right to deduct or withhold from any Award granted or any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to the Participant, or require a Participant to remit to the Company, an amount sufficient to satisfy U.S. federal, state, or local taxes, non-U.S. taxes, or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof). (b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a fair market value not in excess of the maximum statutory amount required to be withheld (i.e., net settlement), or (iii) delivering to the Company already-owned Shares having a fair market value not in excess of the maximum statutory amount required to be withheld or (iv) any combination thereof. The fair market value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld. (c) Compliance With Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. If any provision of the Plan or any term or condition of any Award would otherwise frustrate or conflict with this intent, the provision, term or condition shall be interpreted and deemed amended so as to avoid this conflict. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A. (d) Such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. Notwithstanding anything in the Plan to the contrary, if the Board considers a Participant to be a "specified employee" under Section 409A of the Code at the time of such Participant's "separation from service" (as defined in Section 409A of the Code), and any amount hereunder is "deferred compensation" subject to Section 409A of the Code, any distribution of such amount that otherwise would be made to such Participant with respect to an Award as a result of such "separation from service" shall not be made until the date that is six months after such "separation from service," except to the extent that earlier distribution would not result in such Participant's incurring interest or additional tax under Section 409A of the Code. If an Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the Participant's right to such series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment, and if an Award includes "dividend equivalents" (within the meaning of Section 1.409A-3(e) of the Treasury Regulations), the Participant's right to such dividend equivalents shall be treated separately from the right to other amounts under the Award. (e) Notwithstanding the foregoing, the tax treatment of the benefits provided under the Plan or any Award Agreement is not warranted or guaranteed, and in no event shall the Company (or any Parent or Subsidiary of the Company, as applicable) be liable for or reimburse a Participant for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by any Participant on account of non-compliance with Section 409A of the Code. 15. No Effect on Employment or Service. Neither the Plan nor any Award (nor any vesting schedule contained therein) will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider, nor will they interfere in any way with the Participant's right or the right of the Company (or any Parent or Subsidiary of the Company) to terminate such relationship at any time, with or without Cause, to the extent permitted by Applicable Laws. 16. No Uniformity of Treatment. No Service Provider, Participant, or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Service Providers, Participants, holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient. Any Award granted under the Plan shall be a one-time Award that does not constitute a promise of or any contractual right to receive future grants, or benefits in lieu of grants, even if Awards have been granted in the past. The Company, in its sole discretion, maintains the right to make available future grants under the Plan. 17. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant. 18. Term of Plan. Subject to Section 23 of the Plan, the Plan will become effective upon its adoption by the Board. It will continue in effect for a term of ten (10) years from the date adopted by the Board, unless terminated earlier under Section 19 of the Plan. 19. Amendment and Termination of the Plan.



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Appendix A-12 (a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan and the Administrator may at any time waive any conditions or rights under, amend any terms of, or amend, alter, suspend or terminate any Award granted thereunder, prospectively or retroactively, without the consent of any relevant Participant or beneficiary of an Award, subject to Section 19(c); provided, that to the extent required by the Code or the rules of the NASDAQ Stock Market, such other exchange upon which the Company's Common Stock is either quoted or traded, or the SEC, stockholder approval shall be required for any material amendment of this Plan. (b) Stockholder Approval. The Company will obtain stockholder approval of the Plan and any Plan amendment to the extent necessary and desirable to comply with Applicable Laws. (c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan or any Award will materially adversely impair the rights of any Participant or beneficiary under any Award theretofore granted under the Plan, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company except (x) to the extent any such action is made to cause the Plan to comply with Applicable Law, stock market or exchange rules and regulations or accounting or tax rules and regulations, or (y) to impose any "clawback" or recoupment provisions on any Awards (including any amounts or benefits arising from such Awards) in accordance with Section 22. The Administrator shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of events (including the events described in Section 13) affecting the Company, or the financial statements of the Company, or of changes in Applicable Laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination. 20. Conditions Upon Issuance of Shares. (a) Legal Compliance. Shares will not be issued pursuant to an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance. (b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required. 21. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any U.S. federal or state law, any non-U.S. law, or the rules and regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained. 22. Forfeiture Events. (a) All Awards granted under the Plan will be subject to recoupment under any clawback policy that the Company has in place from time to time, including any policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd- Frank Wall Street Reform and Consumer Protection Act or other Applicable Laws. The Administrator may, to the extent permitted by Applicable Laws and stock exchange rules or by any applicable policy or arrangement, and shall, to the extent required, cancel or require reimbursement of any Awards granted to a Participant or any Shares issued or cash received upon vesting, exercise or settlement of any such Awards or sale of Shares underlying such Awards. In addition, the Administrator may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Administrator determines necessary or appropriate including, but not limited to a reacquisition right regarding previously acquired Shares or other cash or property. Unless this Section 22 is specifically mentioned and waived in an Award Agreement or other document, no recovery of compensation under a clawback policy or otherwise will be an event that triggers or contributes to any right of a Participant to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or any Subsidiary. (b) The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but will not be limited to, termination of such Participant's status as a Service Provider for cause or any specified action or inaction by a Participant, whether



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Appendix A-13 before or after the date Participant is no longer a Service Provider, that would constitute cause for termination of such Participant's status as a Service Provider. (c) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under securities laws, any Participant who (1) knowingly or through gross negligence engaged in the misconduct or who knowingly or through gross negligence failed to prevent the misconduct or (2) is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, must reimburse the Company the amount of any payment in settlement of an Award earned or accrued during the 12-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement. 23. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws. 24. Miscellaneous. (a) Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect, other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases. (b) If any provision of the Plan or any Award Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to Applicable Laws, or if it cannot be so construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan or the Award Agreement, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award Agreement shall remain in full force and effect. (c) Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company. (d) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Administrator shall determine whether cash or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated. (e) Awards may be granted to Participants who are non-United States nationals or employed or providing services outside the United States, or both, on such terms and conditions different from those applicable to Awards to Participants who are employed or providing services in the United States as may, in the judgment of the Administrator, be necessary or desirable to recognize differences in local law, tax policy or custom. The Administrator also may impose conditions on the exercise or vesting of Awards in order to minimize the Administrator's obligation with respect to tax equalization for Participants on assignments outside their home country. (f) Language. If the Participant receives an Award Agreement or any other document related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version of such Award Agreement or such other document will control. 25. Successors and Assigns. The terms of the Plan shall be binding upon and inure to the benefit of the Company and any assignee or successor entity, including any successor entity contemplated by Section 13(c). 26. Data Protection. (a) Personal Data Processing. By participating in the Plan, the Participant understands and acknowledges that it is necessary for the Company, Parent and any of its Subsidiaries and affiliates to collect, use, disclose, hold, transfer and otherwise process certain personal information about the Participant including, but not limited to, the Participant's Data, or other personal information as described in an Award Agreement or any other grant materials or as otherwise provided to the Company or any Parent, Subsidiary or affiliate for the purpose of implementing, administering and managing the Plan. Any such processing will be carried out in accordance with the Company's legitimate interest in administering the Plan and using commercially reasonable efforts to comply with applicable data protection laws. A Participant's failure or refusal to provide or update such Participant's Data (or to agree to the terms and conditions of the Plan) may result in the Company being unable to administer the Plan in respect of such Participant. A Participant's Data will be retained by the Company for as long as such Participant holds Awards and/or Shares.



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Appendix A-14 in the Company, and thereafter, to the extent necessary to fulfill lawful purposes or as long as required by applicable law, which is generally seven (7) years. These purposes include: (i) administering and maintaining Participant records; (ii) providing information to the Company or any Parent, Subsidiary or affiliate, trustees of any employee benefit trust, registrars, brokers or third-party administrators of the Plan; (iii) providing information to future purchasers or merger partners of the Company or any affiliate, or the business in which the Participant works; and (iv) transferring information about the Participant to any country or territory that may not provide the same protection for the information as the Participant's home country. (b) Disclosure. The Company may transfer a Participant's Data amongst its Parent, Subsidiaries or affiliates and service providers, acting as processors or joint data controllers, including any stock plan administrator (the "Stock Plan Administrator") that is an independent service provider based in the United States assisting the Company with the implementation, administration and management of the Plan. The Stock Plan Administrator may open an account for a Participant to receive and trade Shares. A Participant may be asked to acknowledge, or agree to, separate terms and data processing practices with the Stock Plan Administrator. In the future, the Company may select a different service provider or additional service providers and share Data with such other provider(s) serving the Company in a similar manner. (c) International Transfer. A Participant's Data may be transferred from such Participant's country to other jurisdictions, including the United States. The Participant understands and acknowledges that such jurisdictions might have enacted data privacy laws that are less protective or otherwise different from those applicable in the Participant's country of residence. The Company shall take reasonable steps to ensure that the Participant's Data is legally transferred and continues to be adequately protected and securely held. If the Participant's Data is subject to the data protection laws of the European Economic Area, including the United Kingdom (the "EEA"), the Company shall rely upon an adequate mechanism for the international transfer and subsequent onward transfers of personal data. The Company is certified to the EU-U.S. Privacy Shield Program. (d) Data Subject Rights. Subject to the nature of the data, the purpose and nature of the processing, and any lawful bases of the Company, the Participant understands that he or she may have a number of rights under data privacy laws in the Participant's jurisdiction. Subject to the conditions set out in the applicable law and depending on where the Participant is based, such rights may include the right to (i) request access to or copies of Data processed by the Company, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on the processing of Data, (v) object to the processing of Data for legitimate interests, (vi) portability of Data, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of the Participant's Data. To receive clarification regarding these rights or to exercise these rights, the Participant may contact the Company. (e) Data Controller. The data controller is XPEL, Inc., located at 711 Broadway St., San Antonio, Texas 78215, United States of America, can be contacted at 711 Broadway St., San Antonio, Texas 78219, 27. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Awards granted under the Plan or future Awards that may be granted under the Plan by electronic means or request the Participant's consent to participate in the Plan by electronic means. By participating in the Plan, the Participant consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company. 28. Governing Law. The Plan and each Award Agreement shall be governed by the laws of the State of Texas, without application of the conflicts of law principles thereof.



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1. XPEL, INC. SECOND AMENDED AND RESTATED INSIDER TRADING POLICY May 24, 2023 Purpose This Second Amended and Restated Insider Trading Policy (the "Policy") provides guidelines with respect to transactions in the securities of XPEL, Inc. (the "Company") and the handling of confidential information about the Company and the companies with which the Company does business. The Company's Board of Directors has adopted this Policy to promote compliance with federal, state and foreign securities laws that prohibit certain persons who are aware of material nonpublic information about a company from: (i) trading in securities of that company, or (ii) providing material nonpublic information to other persons who may trade on the basis of that information. Persons Subject to the Policy This Policy applies to all officers of the Company and its subsidiaries, all members of the Company's Board of Directors and all employees of the Company and its subsidiaries. The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material nonpublic information. This Policy also applies to family members, other members of a person's household and entities controlled by a person covered by this Policy, as described below. Transactions Subject to the Policy This Policy applies to transactions in the Company's securities (collectively referred to in this Policy as "Company Securities"), including the Company's common stock, options to purchase common stock, or any other type of securities that the Company may issue, including (but not limited to) preferred stock, convertible notes and warrants, as well as derivative securities that are not issued by the Company, such as exchange-traded put or call options or swaps relating to the Company's Securities. Individual Responsibility Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and to not engage in transactions in Company Securities while in possession of material nonpublic information. Each individual is responsible for making sure that he or she complies with this Policy, and that any family member, household member or entity whose transactions are subject to this Policy, as discussed below, also comply with this Policy. In all cases, the responsibility for determining whether an individual is in possession of material non-public information rests with that individual, and any action on the part of the Company, the Compliance Officer (as defined below) or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary



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2 action by the Company for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading "Consequences of Violations." Administration of the Policy The Senior Vice President and General Counsel shall serve as the Compliance Officer for the purposes of this Policy, and in his or her absence, the Chief Financial Officer or another employee designated by the Compliance Officer shall be responsible for administration of this Policy. All determinations and interpretations by the Compliance Officer shall be final and not subject to further review. Statement of Policy It is the policy of the Company that no director, officer or other employee of the Company (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy) who is aware of material nonpublic information relating to the Company may, directly or indirectly through family members or other persons or entities: 1. Engage in transactions in Company Securities, except as otherwise specified in this Policy under the headings "Transactions Under Company Plans," "Transactions Not Involving a Purchase or Sale" and "Rule 10b5-1 Plans;" 2. Recommend the purchase or sale of any Company Securities; 3. Disclose material nonpublic information to persons within the Company whose jobs do not require them to have that information, or outside of the Company to other persons, including, but not limited to, family, friends, business associates, investors and expert consulting firms, unless any such disclosure is made in accordance with the Company's policies regarding the protection or authorized external disclosure of information regarding the Company; or 4. Assist anyone engaged in the above activities. In addition, it is the policy of the Company that no director, officer or other employee of the Company (or any other person designated as subject to this Policy) who, in the course of working for the Company, learns of material nonpublic information about a company with which the Company does business, including a customer or supplier of the Company, may trade in that company's securities until the information becomes public or is no longer material. There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct. See Exhibit A for a definition and description of material nonpublic information.



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3 Transactions by Family Members and Others This Policy applies to your family members who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Company Securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Company Securities (collectively referred to as "Family Members"). You are responsible for the transactions of these other persons and therefore should make them aware of the need to confer with you before they trade in Company Securities, and you should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account. This Policy does not, however, apply to personal securities transactions of Family Members where the purchase or sale decision is made by a third party not controlled by, influenced by or related to you or your Family Members. Transactions by Entities that You Influence or Control This Policy applies to any entities that you influence or control, including any corporations, partnerships or trusts (collectively referred to as "Controlled Entities"), and transactions by these Controlled Entities should be treated for the purposes of this Policy and applicable securities laws as if they were for your own account. Additional Procedures The Company has established additional procedures in order to assist the Company in the administration of this Policy, to facilitate compliance with laws prohibiting insider trading while in possession of material nonpublic information, and to avoid the appearance of any impropriety. These additional procedures are applicable only to those individuals described below. Pre-Clearance Procedures: All members of the Company's Board of Directors; all executive officers of the Company; members of the executive leadership team and their administrative staff; members of the accounting and financial reporting departments; other persons who, in the normal course of their duties, are likely to have regular access to material nonpublic information of the Company and other persons the Compliance Officer may notify from time to time as well as the Family Members and Controlled Entities of such persons (collectively referred to as "Key Personnel"), may not engage in any transaction in Company Securities without first obtaining pre-clearance of the transaction from the Compliance Officer. A request for pre-clearance should be submitted to the Compliance Officer at least two business days in advance of the proposed transaction. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Company Securities, and should not inform any other person of the restriction. When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any material nonpublic information about the Company, and should describe fully those circumstances to the Compliance Officer. The requestor should also indicate whether



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4 he or she has effected any non-exempt "opposite-way" transactions within the past six months, and should be prepared to report the proposed transaction on an appropriate Form 4 or Form 5. The requestor should also be prepared to comply with SEC Rule 144 and file Form 144, if necessary, at the time of any sale. Quarterly Trading Restrictions Key Personnel may not conduct any transactions involving the Company's Securities (other than as specified by this Policy), during a "Blackout Period" beginning the first day of the last calendar month prior to the end of each fiscal quarter and ending two full business days following the date of the public release of the Company's earnings results for that quarter. In other words, Key Personnel may only conduct transactions in Company Securities during the "Window Period" beginning on the second business day following the public release of the Company's quarterly earnings and ending the day immediately preceding the first day of the last calendar month prior to the end of each fiscal quarter. Event-Specific Trading Restriction Periods: From time to time, an event may occur that is material to the Company and is known by only a few directors, officers and/or employees. So long as the event remains material and nonpublic, the persons designated by the Compliance Officer may not trade Company Securities. In addition, the Company's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Compliance Officer, designated persons should refrain from trading in Company Securities even sooner than the typical Blackout Period described above. In that situation, the Compliance Officer may notify these persons that they should not trade in the Company's Securities, without disclosing the reason for the restriction. The existence of an event-specific trading restriction period or extension of a Blackout Period will not be announced to the Company as a whole, and should not be communicated to any other person. Even if the Compliance Officer has not designated you as a person who should not trade due to an event-specific restriction, you should not trade while aware of material nonpublic information. Exceptions will not be granted during an event-specific trading restriction period. Exceptions: The quarterly trading restrictions and event-driven trading restrictions do not apply to those transactions to which this Policy does not apply, as described below under the headings "Transactions Under Company Plans" and "Transactions Not Involving a Purchase or Sale." Further, the requirement for pre-clearance, the quarterly trading restrictions and event-driven trading restrictions do not apply to transactions conducted pursuant to approved Rule 10b5-1 plans, described under the heading "Rule 10b5-1 Plans." Transactions Under Company Plans This Policy does not apply in the case of the following transactions, except as specifically noted: Stock Option Exercises. This Policy does not apply to the exercise of an employee stock option acquired pursuant to the Company's plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.



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5 Restricted Stock Awards. This Policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The Policy does apply, however, to any market sale of restricted stock. 401(k) Plan. This Policy does not apply to purchases of Company Securities in the Company's 401(k) plan resulting from your periodic contribution of money to the plan pursuant to your payroll deduction election. This Policy does apply, however, to certain elections you may make under the 401(k) plan, including: (a) an election to increase or decrease the percentage of your periodic contributions that will be allocated to the Company stock fund; (b) an election to make an intra- plan transfer of an existing account balance into or out of the Company stock fund; (c) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your Company stock fund balance; and (d) an election to pre-pay a plan loan if the pre- payment will result in allocation of loan proceeds to the Company stock fund. Other Similar Transactions. Any other purchase of Company Securities from the Company or sales of Company Securities to the Company are not subject to this Policy. Transactions Not Involving a Purchase or Sale Bona fide gifts are not transactions subject to this Policy, unless the person making the gift has reason to believe that the recipient intends to sell the Company Securities while the officer, employee or director is aware of material nonpublic information, or the person making the gift is subject to the trading restrictions specified below under the heading "Additional Procedures" and the sales by the recipient of the Company Securities occur during a blackout period. Further, transactions in mutual funds that are invested in Company Securities are not transactions subject to this Policy. In addition, prior to any director or Section 16 officer (as defined below under the caption "Rule 10b5-1 Plans") making a bona fide gift of Company Securities, such director or Section 16 officer shall give the Compliance Officer two business day prior written notice and all bona fide gifts by directors and Section 16 executive officers of Company Securities must be reported to the SEC on Form 4 within two business days of making such bona fide gift. Special and Prohibited Transactions The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. It therefore is the Company's policy that any persons covered by this Policy may not engage in any of the following transactions, or should otherwise consider the Company's preferences as described below: Short Sales. Short sales of Company Securities (i.e., the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in the Company's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Company's performance. For these reasons, short sales of Company Securities are prohibited. In addition, Section 16(c) of the Securities Exchange Act of 1934, as amended (the "Exchange



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3 Act) prohibits officers and directors from engaging in short sales. (Short sales arising from certain types of hedging transactions are governed by the paragraph below captioned "Hedging Transactions.") Publicly-Traded Options. Given the relatively short term of publicly-traded options, transactions in options may create the appearance that a director, officer or employee is trading based on material nonpublic information and focus a director's, officer's or other employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in put options, call options or other derivative securities, on an exchange or in any other organized market are prohibited by this Policy. (Option positions arising from certain types of hedging transactions are governed by the next paragraph below.) Hedging Transactions. Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such hedging transactions may permit a director, officer or employee to continue to own Company Securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company's other shareholders. Therefore, directors, officers and employees are prohibited from engaging in any such transactions. Margin Accounts and Pledged Securities. Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Company Securities, unless approved by the Compliance Officer, directors, officers and other employees are prohibited from holding Company Securities in a margin account or otherwise pledging Company Securities as collateral for a loan. (Pledges of Company Securities arising from certain types of hedging transactions are governed by the paragraph above captioned "Hedging Transactions.") Standing and Limit Orders. Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans, as described below) create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director, officer or other employee is in possession of material nonpublic information. The Company therefore discourages placing standing or limit orders on Company Securities. If a person subject to this Policy determines that they must use a standing order or limit order, the order should be limited to short duration and should otherwise comply with the restrictions and procedures outlined below under the heading "Additional Procedures." Rule 10b5-1 Plans If you know in advance that you want to trade in Company Securities, the Company may authorize trades that are made pursuant to a plan that complies with the requirements of Rule 10b5-1 under the Exchange Act (a "Rule 10b5-1 Plan"). (Such authorization is part of the



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7. Company's compliance program; it does not constitute personal, financial or legal advice.) It is the sole responsibility of the person establishing the Rule 10b5-1 Plan to ensure that such plan complies with all applicable regulations and requirements. Rule 10b5-1 of Exchange Act provides an affirmative defense to liability for insider trading. When an insider (i.e., a director, officer, or employee of a company, and which may include others who have material information about a company) enters into a binding contract, instruction or written plan for the purchase or sale of securities, at a time when the insider does not possess material nonpublic information, the insider is afforded an affirmative defense against a later claim that the insider traded those securities at a time the insider was aware of (and consequently traded on the basis of) material nonpublic information, if the purchase or sale occurs pursuant to the contract, instruction or plan. The contract, instruction or plan must either: • expressly specify the amount, price and timing of trades, or delegate discretion on these matters to an independent third party; or • include a written formula or algorithm, or computer program, for determining amounts, prices and dates of trades; and must not permit the person to exercise any subsequent influence over how, when or whether to affect purchases or sales; provided, in addition, that any other person who does exercise such influence is not aware of the material nonpublic information when doing so. A purchase or sale under Rule 10b5-1 is not protected from liability if the insider alters or deviates from the trading plan (whether by changing the amount, price or timing of the purchase or sale), or enters into or alters a corresponding or hedging transaction or position with respect to those securities. Rule 10b5-1 Plans must comply with all disclosure, reporting and other requirements under federal and state securities laws. Additionally, the Company may require that Rule 10b5-1 Plans include additional safeguards for the benefit of the Company. Any document intended to qualify as a Rule 10b5-1 Plan must adhere to the requirements of Rule 10b5-1, including the restrictions set forth below, and such document (including any amendments, modifications, suspensions or terminations thereof) must be reviewed and approved by the Company's Compliance Officer in advance of adoption, amendment, modification, suspension or termination. Good Faith Requirement. Rule 10b5-1 requires that plans be entered into in good faith and that the individual continue to act in good faith with respect to the plan after adoption. Cooling-Off Period After Plan Adoption, Modification and Termination. Any Rule 10b5-1 Plan must include a cooling-off period between your entry into the Rule 10b5-1 Plan and the first possible transaction under the plan. The cooling-off period is required by law and is designed to minimize the risk that a claim will be made that you were aware of material nonpublic information when you entered into the Rule 10b5-1 Plan. If you are a director or officer subject to Section 16 of the Exchange Act (a "Section 16 executive officer"), the cooling-off period must expire no earlier than the later of (i) 90 days following adoption of the plan or (ii) two business days after the filing of the Company's Form 10-K or Form 10-Q that includes financial results.



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10b5-1. Information Provided by Directors and Section 16 Executive Officers. Each quarter, the Company will be required to publicly disclose when directors or Section 16 executive officers adopt or terminate Rule 10b5-1 Plans or certain other trading arrangements and provide a description of the material terms of each plan or arrangement, including the name of the director or Section 16 executive officer, the date of adoption or termination, the duration and the aggregate number of securities to be purchased or sold. Therefore, directors and Section 16 executive officers must provide the Company's Compliance Officer with a final executed copy of, and any amendments to, (i) any Rule 10b5-1 Plan and (ii) any other adopted written arrangement for trading the Company's securities, in each case within two business days of the adoption or amendment thereof. In addition, directors and Section 16 executive officers must notify the Company's Compliance Officer of any termination of any Rule 10b5-1 Plan or such other written securities trading arrangement promptly upon termination.



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9 Post-Termination Transactions This Policy continues to apply to transactions in Company Securities even after termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not trade in Company Securities until that information has become public or is no longer material. Consequences of Violations The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in the Company's Securities, is prohibited by the federal and state laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities as well as the laws of foreign jurisdictions. Punishment for insider trading violations is severe, and could include significant fines and imprisonment. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel. In addition, an individual's failure to comply with this Policy may subject the individual to Company-imposed sanctions, including dismissal for cause, whether or not the employee's failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person's reputation and irreparably damage a career. Company Assistance Any person who has a question about this Policy or its application to any proposed transaction may obtain additional guidance from the Compliance Officer, who can be reached by telephone at 210-678-3700. Certification All persons subject to this Policy must certify their understanding of, and intent to comply with, this Policy. Adopted: May 24, 2023



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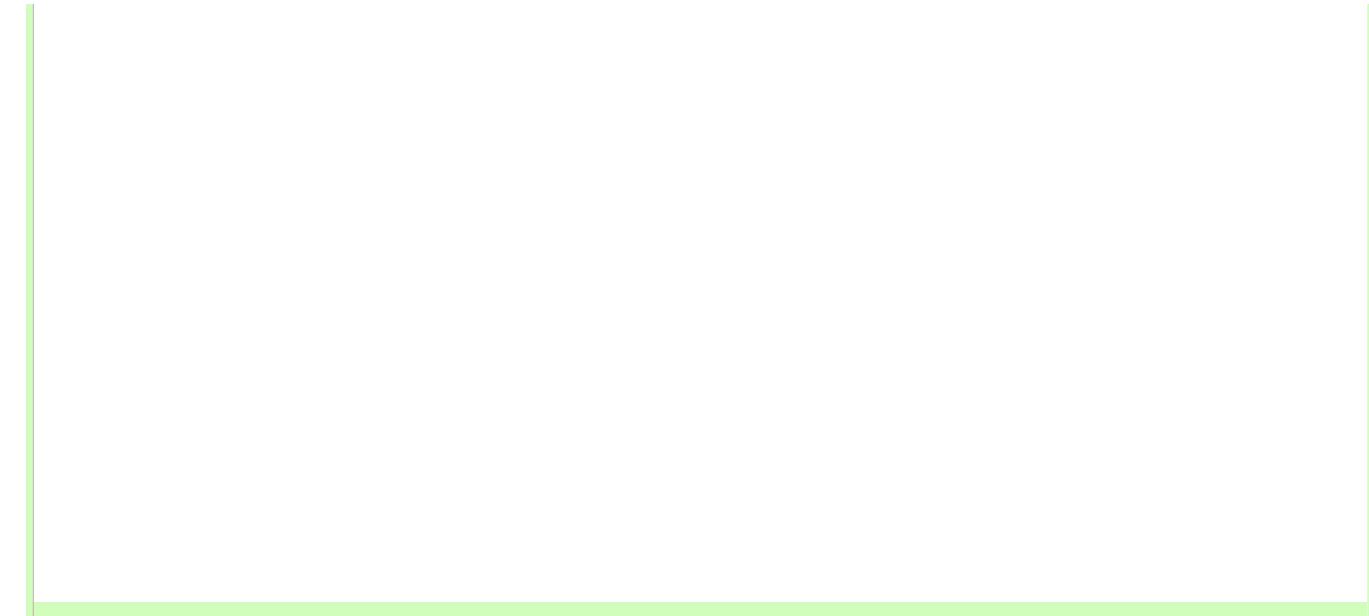


EXHIBIT A EXHIBIT A Definition of Material Nonpublic Information Material Information. Information is considered "material" if a reasonable investor would consider that information important in making a decision to buy, hold or sell securities. Any information that could be expected to affect the Company's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances, and is often evaluated by enforcement authorities with the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are: • Projections of future earnings or losses, or other earnings guidance; • Changes to previously announced earnings guidance, or the decision to suspend earnings guidance; • A pending or proposed merger, acquisition or tender offer; • A pending or proposed acquisition or disposition of a significant asset; • A pending or proposed joint venture; • A Company restructuring; • Significant related party transactions; • A change in dividend policy, the declaration of a stock split, or an offering of additional securities; • Bank borrowings or other financing transactions out of the ordinary course; • The establishment of a repurchase program for Company Securities; • A change in the Company's pricing or cost structure; • Major marketing changes; • A change in management; • A change in auditors or notification that the auditor's reports may no longer be relied upon; • Development of a significant new product, process, or service; • Pending or threatened significant litigation, or the resolution of such litigation; • Impending bankruptcy or the existence of severe liquidity problems; • The gain or loss of a significant customer or supplier; and • The imposition of a ban on trading in Company Securities or the securities of another company.



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EXHIBIT A When Information is Considered Public. Information that has not been disclosed to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through the Dow Jones "broad tape," newswire services, a broadcast on widely-available radio or television programs, publication in a widely-available newspaper, magazine or news website, or public disclosure documents filed with the SEC that are available on the SEC's website. By contrast, information would likely not be considered widely disseminated if it is available only to the Company's employees, or if it is only available to a select group of analysts, brokers and institutional investors. Once information is widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until after the first business day after the day on which the information is released. If, for example, the Company were to make an announcement on a Monday, you should not trade in Company Securities until Wednesday. Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material nonpublic information.



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CERTIFICATION CERTIFICATION I certify that: 1. I have read and understand the Company's Amended and Restated Insider Trading Policy (the "Policy"). I understand that the Compliance Officer is available to answer any questions I have regarding the Policy. 2. Since [], or such shorter period of time that I have been an employee of the Company, I have complied with the Policy. 3. I will continue to comply with the Policy for as long as I am subject to the Policy.

Print name:	Signature:	Date:
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Exhibit 21.1

List of Subsidiaries

Entity	Jurisdiction of Organization	Ownership
XPEL Inc.	Nevada, USA	Parent
XPEL Ltd.	U.K.	100%
XPEL Canada Corp.	Canada	100%
XPEL B.V.	Netherlands	100%
XPEL Germany GmbH	Germany	100%
XPEL de Mexico S. de R.L. de C.V.	Mexico	100%
XPEL Acquisition Corp.	Canada	100%
Protex Canada Inc.	Canada	100%
Apogee Corp.	Anguilla	100%
XPEL Slovakia	Slovakia	100%
XPEL France SAS	France	100%
invisiFRAME, Ltd.	U.K.	100%
XPEL Film Spain, SL	Spain	100%
XPEL Australia Pty Ltd.	Australia	100%
Proteam S.r.l.	Italy	100%

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Forms S-3 (Registration No. 333-254123) and S-8 (Registration No. 333-266085) of XPEL, Inc. of our report dated March 11, 2021, relating to the consolidated financial statements, which appears in this annual report on Form 10-K for the year ended December 31, 2022.

/s/ Baker Tilly US, LLP
Minneapolis, Minnesota
February 28, 2023

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-254123 on Form S-3 and Registration Statement No. 333-266085 on Form S-8 of our report reports dated February 28, 2023 February 28, 2024, relating to the financial statements of XPEL, Inc. and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

/s/ Deloitte and Touche LLP

Austin, Texas
February 28, 2023 2024

POWER OF ATTORNEY

Each of the undersigned Directors of XPEL, Inc., a Nevada corporation (the "Company"), hereby constitutes and appoints Ryan L. Pape and Babatunde Awodiran, and each of them, his or her true and lawful attorneys-in-fact and agents, with full and several power of substitution and resubstitution, for him or her and in his or her name, place and stead in any and all capacities, to sign one or more Annual Reports for the Company's fiscal year ended December 31, 2023, on Form 10-K under the Securities Exchange Act of 1934, as amended, and all amendments thereto, each in such form as they or any one of them may approve, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done so that such Annual Report shall comply with the Securities Exchange Act of 1934, as amended, and the applicable Rules and Regulations adopted or issued pursuant thereto, as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or resubstitute, may lawfully do or cause to be done by virtue hereof.

The undersigned have signed this Power of Attorney this 20th day of February, 2024.

/s/ Stacy L. Bogart

Stacy L. Bogart, Director

/s/ Richard K. Crumly

Richard K. Crumly, Director

/s/ Michael A. Klonne

Michael A. Klonne, Director

/s/ John F. North

John F. North, Director

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, Ryan L. Pape, certify that:

Date: February 28, 2023 February 28, 2024

1. I have reviewed this Annual Report on Form 10-K 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 registrant'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 registrant'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; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Ryan L. Pape
 Ryan L. Pape
 President and Chief Executive Officer
 (Principal Executive Officer)

Date: ~~February 28, 2023~~ February 28, 2024

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, Barry R. Wood, certify that:

Date: ~~February 28, 2023~~ February 28, 2024

1. I have reviewed this Annual Report on Form 10-K 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 registrant'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 registrant'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; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2023 February 28, 2024

/s/ Barry R. Wood
Barry R. Wood
Senior Vice President
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Ryan L. Pape, President and Chief Executive Officer of XPEL, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2022 December 31, 2023 (the "Report") 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)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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: February 28, 2023 February 28, 2024

/s/ Ryan L. Pape
Ryan L. Pape
President and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Barry R. Wood, Senior Vice President and Chief Financial Officer of XPEL, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2022 December 31, 2023 (the "Report") 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)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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: February 28, 2023 February 28, 2024

/s/ Barry R. Wood
Barry R. Wood
Senior Vice President and Chief Financial Officer



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XPTEL, INC. COMPENSATION CLAWBACK POLICY (Adopted as of October 31, 2023) 1. INTRODUCTION XPTEL, Inc. (the "Company") is adopting this Compensation Clawback Policy (this "Policy") to provide for the Company's recovery of certain Incentive Compensation (as defined below) erroneously awarded to Affected Officers (as defined below) under certain circumstances. This Policy is administered by the Compensation Committee (the "Committee") of the

Company's Board of Directors (the "Board"). The Committee shall have full and final authority to make any and all determinations required or permitted under this Policy. Any determination by the Committee with respect to this Policy shall be final, conclusive and binding on all parties. The Board may amend or terminate this Policy at any time. This Policy is intended to comply with Section 10D of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 thereunder and the applicable rules (the "Rules") of the Nasdaq Stock Market (the "Market") and will be interpreted and administered consistent with that intent. 2. EFFECTIVE DATE This Policy shall apply to all Incentive Compensation received on or after October 2, 2023, and to the extent permitted or required by applicable law. 3. DEFINITIONS For purposes of this Policy, the following terms shall have the meanings set forth below. "Affected Officer" means any current or former "officer" as defined in Exchange Act Rule 16a-1, and any other senior executives as determined by the Committee. "Applicable Period" means the three completed fiscal years immediately preceding the date on which the Company is required to prepare a Restatement, as well as any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The "date on which the Company is required to prepare a Restatement" is the earlier to occur of (a) the date the Committee concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare a Restatement. In each case, regardless of if or when the restated financial statements are filed. "Erroneously Awarded Compensation" means, with respect to each Affected Officer in connection with a Restatement, the amount of Incentive Compensation received that exceeds the amount of Incentive Compensation that otherwise would have been received had it been determined based on the amounts set forth in the Restatement, computed without regard to any taxes paid. In the case of Incentive Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Restatement, the amount shall reflect a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive Compensation was received, as determined by the Committee in its sole



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2 discretion. Such determination shall be properly documented and the Committee shall provide such documentation to the Market. The Committee may determine the form and amount of Erroneously Awarded Compensation in its sole discretion. "Financial Reporting Measure" means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's consolidated financial statements, and any measures that are derived wholly or in part from such measures, whether or not such measure is presented within the consolidated financial statements or included in a filing with the Securities and Exchange Commission (the "SEC"). Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this policy, be considered Financial Reporting Measures. "Incentive Compensation" means any compensation that is granted, earned or vested based in whole or in part on the attainment of a Financial Reporting Measure. For purposes of clarity, base salaries, bonuses or equity awards paid solely upon satisfying one or more subjective standards, strategic or operational measures, or continued employment are not considered Incentive Compensation, unless such awards were granted, paid or vested based in part on a Financial Reporting Measure. "Restatement" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (i.e., a "Big R" restatement), or that would result in a material misstatement if the error was corrected in the current period or left uncorrected in the current period (i.e., a "little r" restatement). 4. RECOVERY If the Company is required to prepare a Restatement, the Company shall seek to recover and claw back from any Affected Officer reasonably promptly the Erroneously Awarded Compensation that is received by the Affected Officer during the Applicable Period: (i) after the person begins service as an Affected Officer; (ii) who serves as an Affected Officer at any time during the performance period for that Incentive Compensation; and (iii) while the Company has a class of securities listed on the Market. If, after the release of earnings for any period for which a Restatement subsequently occurs and prior to the announcement of the Restatement for such period, the Affected Officer sold any securities constituting, or any securities issuable on exercise, settlement or exchange of any equity award constituting, Incentive Compensation, the excess of (a) the actual aggregate sales proceeds from the Affected Officer's sale of those shares, over (b) the aggregate sales proceeds the Affected Officer would have received from the sale of those shares at a price per share determined appropriate by the Committee in its discretion to reflect what the Company's common stock price would have been if the Restatement had occurred prior to such sales, shall be deemed to be Erroneously Awarded Compensation, provided, however, that the aggregate sales proceeds determined by the Committee under this clause (b) with respect to shares acquired upon exercise of an option shall not be less than the aggregate exercise price paid for those shares.



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3 For purposes of this Policy, "Erroneously Awarded Compensation" is deemed to be received in the Company's fiscal year during which the Financial Reporting Measure specified in the Incentive Compensation is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period. In the event of a Restatement: • the Committee shall determine the amount of any Erroneously Awarded Compensation received by each Affected Officer and shall promptly notify each Affected Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable; • the Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section 6 below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Affected Officer's obligations hereunder; • to the extent that the Affected Officer has already reimbursed the Company for any Erroneously Awarded Compensation received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy; and • to the extent that an Affected Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable to and appropriate to recover such Erroneously Awarded Compensation from the applicable Affected Officer. The applicable Affected Officer shall be required to reimburse the Company for any and all expenses reasonable incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence. For purposes of clarity, in no event shall the Company be required to award any Affected Officers an additional payment or other compensation if the Restatement would have resulted in the grant, payment or vesting of Incentive Compensation that is greater than the Incentive Compensation actually received by the Affected Officer. The Company shall file all disclosures with respect to this Policy required by the SEC. 5. SOURCES OF RECoupMENT To the extent permitted by applicable law, the Committee may, in its discretion, seek recoupment from the Affected Officer(s) through any means it determines, which may include any of the following sources: (i) prior Incentive Compensation payments; (ii) future payments of Incentive Compensation; (iii) cancellation of outstanding Incentive Compensation; (iv) direct repayment; and (v) non-Incentive Compensation or securities held by the Affected Officer. To the extent permitted by applicable law, the Company may offset such amount against any compensation or other amounts owed by the Company to the Affected Officer.



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4.6. LIMITED EXCEPTIONS TO RECOVERY Notwithstanding the foregoing, the Committee, in its discretion, may choose to forgo recovery of Erroneously Awarded Compensation under the following circumstances, provided that the Committee (or a majority of the independent members of the Board) has made a determination that recovery would be impracticable because: (i) The direct expense paid to a third party to assist in enforcing this Policy would exceed the recoverable amounts, provided that the Company has made a reasonable attempt to recover such Erroneously Awarded Compensation, has documented such attempt(s), and has (to the extent required) provided that documentation to the Market; (ii) Recovery would violate home country law where the law was adopted prior to November 28, 2022, and the Company provides an opinion of home country counsel to that effect to the Market that is acceptable to the Market; or (iii) Recovery would likely cause an otherwise tax-qualified retirement plan to fail to meet the requirements of Section 401(a) (13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder. 7. NO INDEMNIFICATION OR INSURANCE The Company will not indemnify, insure or otherwise reimburse any Affected Officer against the recovery of Erroneously Awarded Compensation. Further, the Company shall not enter into any agreement that exempts any Incentive Compensation that is granted, paid or awarded to an Affected Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy) 8. NO IMPAIRMENT OF OTHER REMEDIES This Policy does not preclude the Company from taking any other action to enforce an Affected Officer's obligations to the Company, including termination of employment, institution of civil proceedings, or reporting of any misconduct to appropriate government authorities. This Policy is in addition to the requirements of Section 304 of the Sarbanes-Oxley Act of 2002 that are applicable to the Company's Chief Executive Officer and Chief Financial Officer. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Affected Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Affected Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangements. 9. AMENDMENT, TERMINATION The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section 9 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into



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6 ATTESTATION AND ACKNOWLEDGEMENT OF POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION By my signature below, I acknowledge and agree that: • I have received and read the attached Policy for the Recovery of Erroneously Awarded Compensation (this "Policy"). • I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy. Signature: Printed Name: Date:

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