KEYSTONE'S
Small-Cap Stock Report

Editor: Ryan Irvine, BBA (Finance)
Senior Analyst: Aaron Dunn, CFA

Independent Equity Advisors

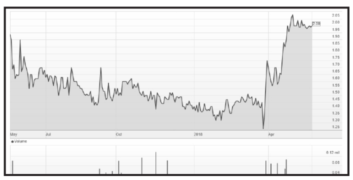
XPEL Technologies Corp.

Current Price (May 23, 2018): US$3.01

(DAP.U:TSX-V)

RECOMMENDATION: BUY

SPECIALTY AUTO PRODUCT SMALL-CAP POSTS RECORD Q1 2018, MARGINS IMPROVE, SHARES SURGE OVER 50% THIS MORNING – REITERATE RATING



SELECTED QUARTERLY DATA

Income Statement	Q1 2018	Q1 2017
Revenues:	$25,198,741	$12,630,467
Adjusted EBITDA:	$3,085,373	$407,846
Adjusted EBITDA Per Share:	$0.11	$0.01
Fully Diluted Ad. EBITDA/Share:	$0.11	$0.01

RATINGS

VALUE

P/EBITDA (TTM):	10.78
P/S (TTM):	1.20
P/B:	6.03
Current Ratio:	1.63
D/E:	0.10

Industry: Auto Tech Specialty Product Marketer/Distributor
Recommended: September 2017
Recommendation Price: US$1.42
Current Price: US$3.01
Market Cap: US$83.113.916
Shares Outstanding: 27,612,597
Fully Diluted: 27,612,597

Focus BUY Portfolio

XPEL Technologies Corp. is based in San Antonio, Texas manufactures, sells and distributes, and installs after-market automotive products, including automotive paint protection film, headlight protection film, automotive window films and other related products. In the United States, Canada and parts of Europe, the company operates primarily by selling a complete turn-key solution directly to independent installers and new car dealerships which includes XPEL protection films, installation training, access to XPEL's proprietary design software, marketing support and lead generation. Additionally, the company operates six company-owned installation centers in the United States as well as one installation center each in the United Kingdom and the Netherlands that serve wholesale and/or retail customers in their respective markets. In other parts of the world, including China (30% of Q1 sales) which grew rapidly in 2017 and Q1 2018, XPEL operates primarily through third party distributors, who operate under agreement with the company to develop a market or a region under the company's supervision and direction. The company operates through 100% owned subsidiaries in Canada, the Netherlands and Mexico and through an 85% owned subsidiary in the United Kingdom.

Revisiting XPEL from a Strategic Overview Perspective

XPEL is currently executing on several key strategic initiatives to drive continued growth. In 2017, management accelerated the company's global expansion strategy with the establishment of European headquarters in the Netherlands. The company believes that establishing a local presence in this strategically important region allows XPEL to better control the delivery of products and services and capitalize on the under-penetrated opportunity in the region. The company is continuing to add locally based regional sales personnel to leverage local knowledge and relationships to expand the market.

In terms of marketing, the company continues to drive global brand awareness in strategically important areas. The company seeks high visibility and premium events such as major car shows. Management also seeks out high value placement in adver-

Copyright 2018 KeyStone Financial Publishing Corp.

KEYSTONE'S
Small-Cap Stock Report
Editor: Ryan Irvine, BBA (Finance)
Senior Analyst: Aaron Dunn, CFA
Independent Equity Advisors

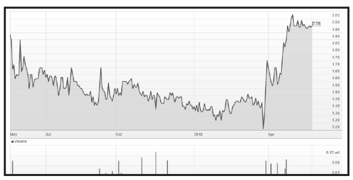
XPEL Technologies Corp.

Current Price (May 23, 2018): US$3.01

(DAP.U:TSX-V)

RECOMMENDATION: BUY

SPECIALTY AUTO PRODUCT SMALL-CAP POSTS RECORD Q1 2018, MARGINS IMPROVE, SHARES SURGE OVER 50% THIS MORNING – REITERATE RATING



Industry: Auto Tech Specialty Product Marketer/Distributor
Recommended: September 2017
Recommendation Price: US$1.42
Current Price: US$3.01
Market Cap: US$83.113.916
Shares Outstanding: 27,612,597
Fully Diluted: 27,612,597

Focus BUY Portfolio

SELECTED QUARTERLY DATA

Income Statement	Q1 2018	Q1 2017
Revenues:	$25,198,741	$12,630,467
Adjusted EBITDA:	$3,085,373	$407,846
Adjusted EBITDA Per Share:	$0.11	$0.01
Fully Diluted Ad. EBITDA/Share:	$0.11	$0.01

RATINGS

VALUE

P/EBITDA (TTM):	10.78
P/S (TTM):	1.20
P/B:	6.03
Current Ratio:	1.63
D/E:	0.10

tising media consumed by car enthusiasts to help further expand XPEL's premium brand. From the year-end conference call, it was important to note that the growth in China appears to have come largely through the company's local distributor establishing strong XPEL brand awareness over the past 4 years which is bearing fruit in terms of strong growth today. The fact the local partner is promoting the XPEL brand is far more valuable to the business in the market than just promoting a generic automotive paint protection film service.

The company also continues to expand its delivery channels by acquiring select installation facilities in key markets and/or acquiring international partners to enhance its global reach. To that end, XPEL completed two domestic acquisitions and one international acquisition during the year. These acquisitions allow the company to put its selling and operational support processes as close to the end customer as possible. A critical component of the acquisition strategy is to employ the owners of the companies acquired. This allows XPEL to leverage the owners' existing relationships in the local market which often results in an overall expansion of the market opportunity.

XPEL also continues to drive expansion of its non-automotive product portfolio. The company recently launched its new commercial/residential window film product line which opens up a large, addressable new market for the company and represents the first non-automotive product line in the company's history. While there is some overlap with XPEL's existing customers, this new product line exposes the company to several new channels. The company will continue to seek out non-automotive opportunities that allow it to leverage its channel, brand and technology. Window film sales accounted for 5% of total sales in Q1 2018.

XPEL competes mainly against other product companies. Management believes this business is differentiated by the suite of services that surrounds its leading protective films. The company's state of the art software leads the industry with over 70,000 patterns. This design software is updated daily with new vehicle patters often before the

Copyright 2018 KeyStone Financial Publishing Corp.

KEYSTONE'S

Small-Cap Stock Report

Independent Equity Advisors

Editor: Ryan Irvine, BBA (Finance)
Senior Analyst: Aaron Dunn, CFA

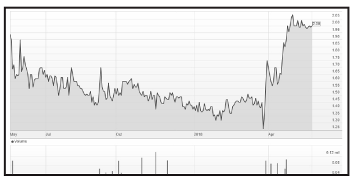
XPEL Technologies Corp.

Current Price (May 23, 2018): US$3.01

(DAP.U:TSX-V)

RECOMMENDATION: BUY

SPECIALTY AUTO PRODUCT SMALL-CAP POSTS RECORD Q1 2018, MARGINS IMPROVE, SHARES SURGE OVER 50% THIS MORNING – REITERATE RATING



Industry: Auto Tech Specialty Product Marketer/Distributor
Recommended: September 2017
Recommendation Price: US$1.42
Current Price: US$3.01
Market Cap: US$83.113.916
Shares Outstanding: 27,612,597
Fully Diluted: 27,612,597

Focus BUY Portfolio

SELECTED QUARTERLY DATA

Income Statement	Q1 2018	Q1 2017
Revenues:	$25,198,741	$12,630,467
Adjusted EBITDA:	$3,085,373	$407,846
Adjusted EBITDA Per Share:	$0.11	$0.01
Fully Diluted Ad. EBITDA/Share:	$0.11	$0.01

RATINGS

VALUE

P/EBITDA (TTM):	10.78
P/S (TTM):	1.20
P/B:	6.03
Current Ratio:	1.63
D/E:	0.10

vehicle is offered to the public. This software ensures a superior quality installation with minimal film waste which is highly valuable for XPEL's customers. The company's customer service center can answer any question and is available 24/7. XPEL also provides substantial marketing and lead generation for its customers – akin to a franchisor in many respects. XPEL supports them at various shows and events and advertise their locations on the company web site. XPEL also supports its customers by maintaining a distribution infrastructure that meets their just in time needs.

RECENT REPORTED FINANCIAL RESULTS

XPEL was recommended in September 2017 with the company's shares trading at US$1.42. In March of this year, following a strong Q4 2017, we reiterated our BUY rating on the stock and its position in our Focus BUY Portfolio with the stock trading at US$1.59. This morning the company's shares jumped around 50% to the $3.00 range and are now up over 105% in the past 9 months since the recommendation. Following the company's record Q1 2018 financial results, we review the numbers and update our rating on the stock.

Revenues increased approximately $12.6 million to $25.2 million, or 99.5%, over the prior year period. On a constant currency basis, revenues grew 97.5% to $25.0 million. The following is a breakdown of the components of revenue:

	Three Months Ended		%	% of Total Revenue	
	March 31, 2018	March 31, 2017	Inc (Dec)	March 31, 2018	March 31, 2017
Paint protection film	$ 20,881,496	$ 9,605,331	117.4%	82.9%	76.0%
Window film	1,252,803	851,734	47.1%	5.0%	6.7%
Film Installation	1,316,628	819,405	60.7%	5.2%	6.5%
Software	950,318	833,970	14.0%	3.8%	6.6%
Other products	797,496	520,027	53.4%	3.2%	4.1%
Total	**$ 25,198,741**	**$ 12,630,467**	99.5%	100.0%	100.0%

Revenue from the paint protection film product line increased 117.4% representing

Copyright 2018 KeyStone Financial Publishing Corp.

KeyStone's
Small-Cap Stock Report

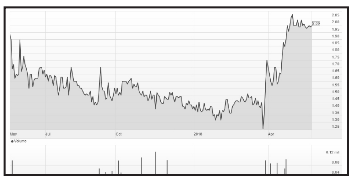
Editor: Ryan Irvine, BBA (Finance)
Senior Analyst: Aaron Dunn, CFA

Independent Equity Advisors

XPEL Technologies Corp. — Current Price (May 23, 2018): US$3.01

(DAP.U:TSX-V) — **RECOMMENDATION: BUY**

SPECIALTY AUTO PRODUCT SMALL-CAP POSTS RECORD Q1 2018, MARGINS IMPROVE, SHARES SURGE OVER 50% THIS MORNING – REITERATE RATING



Industry: Auto Tech Specialty Product Marketer/Distributor
Recommended: September 2017
Recommendation Price: US$1.42
Current Price: US$3.01
Market Cap: US$83.113.916
Shares Outstanding: 27,612,597
Fully Diluted: 27,612,597

Focus BUY Portfolio

SELECTED QUARTERLY DATA

Income Statement	Q1 2018	Q1 2017
Revenues:	$25,198,741	$12,630,467
Adjusted EBITDA:	$3,085,373	$407,846
Adjusted EBITDA Per Share:	$0.11	$0.01
Fully Diluted Ad. EBITDA/Share:	$0.11	$0.01

RATINGS

VALUE	
P/EBITDA (TTM):	10.78
P/S (TTM):	1.20
P/B:	6.03
Current Ratio:	1.63
D/E:	0.10

strong growth across all of the company's operating regions, particularly in Asia. The window film product line grew 47.1% vs. prior quarter. Installation revenue grew 60.7% including same store sales growth of 34.0%.

Other product revenue, which is comprised mainly of ancillary products to support the application and installation of paint protection film and window film, grew 53.4% vs. prior year quarter.

Cost of sales increased approximately $8.4 million over the prior year period and decreased as a percentage of revenues from 73.6% to 70.3%. Direct costs include the costs of physical goods, the costs related to the Design Access Program software, and the costs of labour directly associated with the production of product.

Gross margin for the quarter was 29.7% vs. 26.4% for the prior year quarter. This margin improvement was primarily attributable to price increases across certain product lines, production efficiencies achieved as a result of the company's margin enhancement initiatives in the prior two quarters and reductions in warranty costs. This increase was partially offset by slight margin erosion related to sales mix.

Selling, general and administrative (SG&A) expenses grew 47.7 % vs. prior year quarter and decreased as a percentage of revenues to 19.4% of sales from 26.3% of sales in the prior year period. This increase was due mainly to increases in personnel, occupancy, sales and marketing and information technology related costs to support the ongoing growth of the business.

EBITDA increased $2.7 million to $3.1 million. On a constant currency basis, EBITDA increased to $3.0 million. This increase was due mainly to improvements in overall gross margin and gains in SG&A operating leverage.

Net income increased to $2.0 million. Earnings per share jumped to $0.07 compared to a loss of ($0.002) per share in first quarter 2017.

Copyright 2018 KeyStone Financial Publishing Corp.

KeyStone's Small-Cap Stock Report FLASH UPDATE May 2018

KEYSTONE'S
Small-Cap Stock Report

Editor: Ryan Irvine, BBA (Finance)
Senior Analyst: Aaron Dunn, CFA

Independent Equity Advisors

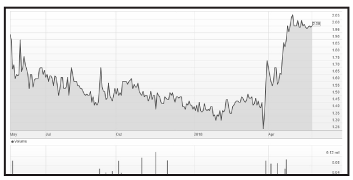
XPEL Technologies Corp.

Current Price (May 23, 2018): US$3.01

(DAP.U:TSX-V)

RECOMMENDATION: BUY

SPECIALTY AUTO PRODUCT SMALL-CAP POSTS RECORD Q1 2018, MARGINS IMPROVE, SHARES SURGE OVER 50% THIS MORNING – REITERATE RATING



Industry: Auto Tech Specialty Product Marketer/Distributor
Recommended: September 2017
Recommendation Price: US$1.42
Current Price: US$3.01
Market Cap: US$83.113.916
Shares Outstanding: 27,612,597
Fully Diluted: 27,612,597

Focus BUY Portfolio

SELECTED QUARTERLY DATA

Income Statement	Q1 2018	Q1 2017
Revenues:	$25,198,741	$12,630,467
Adjusted EBITDA:	$3,085,373	$407,846
Adjusted EBITDA Per Share:	$0.11	$0.01
Fully Diluted Ad. EBITDA/Share:	$0.11	$0.01

RATINGS

VALUE	
P/EBITDA (TTM):	10.78
P/S (TTM):	1.20
P/B:	6.03
Current Ratio:	1.63
D/E:	0.10

VALUATION

XPEL has been a difficult company to value based on earnings given the one-time charges and significant noise in the results over the course of 2017. 2017 was a transformational year for the company and management was focused on driving top-line growth, which would be a great strategic decision if the company addressed margin deterioration in 2018. The margin improvement came to fruition in Q1 2018 as gross margin improved to 29.7% from 26.4% in first quarter 2017. On a trailing basis (the last 12 months) the company' price to EBITDA multiple is in the range of 12 and its PE ratio is 26. Given the growth, the multiples are reasonable, but on the higher end. However, with the sharp up-tick in margins in Q1 and the commensurate jump in EBITDA and earnings per share and the potential continuation of the business in a higher margin reality moving forward, the forward estimates could be revised to a whole new level. If the company can sustain Q1 margins (or in the range of 28-30%) moving forward the potential of an EPS breakthrough to the $0.24-$0.28 range in 2018 is real. If XPEL hits $0.26 in earnings per share in 2018, a conservative multiple of 16 times (below market multiple) PE would push fair value to the range of $4.15 or roughly 35% higher than the current trading range. There is a good deal of assumptions in this estimate which increases the risk, but the company appears to be hitting its targets and the business growth is very strong.

CONCLUSION

XPEL's Q1 2018 financial results were staggeringly strong and the share price reacted in concert, jumping over 50% this morning and has now doubled since our recommendation 9 months ago. In this case, the jump is fully justifiable. The quarter was the strongest quarter in the company's history, with record revenues reflecting strong demand across all of product lines. Revenue grew by almost 100% over the first quarter of 2017 and by 25% sequentially, illustrating considerable momentum in XPEL's business. A key figure we were looking to, gross margin percentage, saw strong improvement (gross margin improved to 29.7% from 26.4% in first quarter

Copyright 2018 KeyStone Financial Publishing Corp.

KEYSTONE'S
Small-Cap Stock Report

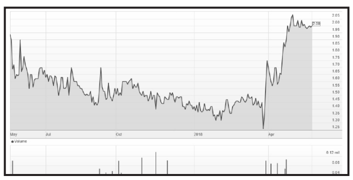
Editor: Ryan Irvine, BBA (Finance)
Senior Analyst: Aaron Dunn, CFA

Independent Equity Advisors

XPEL Technologies Corp. — Current Price (May 23, 2018): US$3.01

(DAP.U:TSX-V) — **RECOMMENDATION: BUY**

SPECIALTY AUTO PRODUCT SMALL-CAP POSTS RECORD Q1 2018, MARGINS IMPROVE, SHARES SURGE OVER 50% THIS MORNING – REITERATE RATING



Industry: Auto Tech Specialty Product Marketer/Distributor
Recommended: September 2017
Recommendation Price: US$1.42
Current Price: US$3.01
Market Cap: US$83.113.916
Shares Outstanding: 27,612,597
Fully Diluted: 27,612,597

Focus BUY Portfolio

SELECTED QUARTERLY DATA

Income Statement	Q1 2018	Q1 2017
Revenues:	$25,198,741	$12,630,467
Adjusted EBITDA:	$3,085,373	$407,846
Adjusted EBITDA Per Share:	$0.11	$0.01
Fully Diluted Ad. EBITDA/Share:	$0.11	$0.01

RATINGS

VALUE

P/EBITDA (TTM):	10.78
P/S (TTM):	1.20
P/B:	6.03
Current Ratio:	1.63
D/E:	0.10

2017) as the margin enhancement initiatives the company began in Q3 last year have started to take hold.

China has become a true growth driver for XPEL. Between Q2 and Q3 of 2017, or less than three quarters ago, China accounted for roughly 10% of the business. In Q1 2018, the percentage had grown to 30%. We expect the growth rate to moderate through 2018 and the company to experience stiff competition and even "knock-off" competition in this market, but the brand awareness has reached a new level in this market and the company is only scratching the surface in terms of the potential with its partners in this region.

Having said this, China was not the only driver as business in Canada jumped 95% year-over-year. Excluding the net effect of the Protex Canada acquisition, the top franchisor for automotive paint protection and window film in Canada, the increase was still 83%. Europe nearly doubled and the company is approaching a $10 million run rate in this growth market. Finally, the company began running its first training classes in Mexico and is progressing well to penetrate this market.

Heading into Q1 2018, management stated that they expected continued strong growth in revenue and significant improvement in bottom line results. The consolidation of some of XPEL's legacy paint protection film lines allows the company to enhance product efficiency by removing the lowest margin products and the working capital requirements associated with them. Management also stated it had put forward targeted price increases in some of its lower margin segments. The company truly delivered on each of these fronts in Q1 2018.

We reiterated our BUY rating on the stock in March at the US$1.57 range and are very pleased with the jump in the company's shares since this time. With the sharp up-tick margins in Q1 and the commensurate jump in EBITDA and earnings per share and the potential continuation of the business in a higher margins reality moving forward, the forward estimates can be revised to a whole new level. If the compa-

Copyright 2018 KeyStone Financial Publishing Corp.

KEYSTONE'S
Small-Cap Stock Report

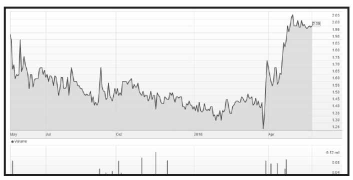
Editor: Ryan Irvine, BBA (Finance)
Senior Analyst: Aaron Dunn, CFA

Independent Equity Advisors

XPEL Technologies Corp. — Current Price (May 23, 2018): US$3.01

(DAP.U:TSX-V) — **RECOMMENDATION: BUY**

SPECIALTY AUTO PRODUCT SMALL-CAP POSTS RECORD Q1 2018, MARGINS IMPROVE, SHARES SURGE OVER 50% THIS MORNING – REITERATE RATING



Industry: Auto Tech Specialty Product Marketer/Distributor
Recommended: September 2017
Recommendation Price: US$1.42
Current Price: US$3.01
Market Cap: US$83.113.916
Shares Outstanding: 27,612,597
Fully Diluted: 27,612,597

Focus BUY Portfolio

SELECTED QUARTERLY DATA

Income Statement	Q1 2018	Q1 2017
Revenues:	$25,198,741	$12,630,467
Adjusted EBITDA:	$3,085,373	$407,846
Adjusted EBITDA Per Share:	$0.11	$0.01
Fully Diluted Ad. EBITDA/Share:	$0.11	$0.01

RATINGS

VALUE	
P/EBITDA (TTM):	10.78
P/S (TTM):	1.20
P/B:	6.03
Current Ratio:	1.63
D/E:	0.10

ny can sustain Q1 margins (or in the range of 28-30%) moving forward the potential of an EPS breakthrough to the $0.24-$0.28 range in 2018 is real. If XPEL hits $0.26 in earnings per share in 2018, a conservative multiple of 16 times (below market multiple) PE would push fair value to the range of $4.15 or roughly 35% higher than the current trading range. There is a good deal of assumptions in this estimate which increases the risk, but the company appears to be hitting its targets and the business growth is very strong. We expect to have to be patient and are looking for hold XPEL for a 2 to 3-year period at minimum.

Please Note: We maintain our BUY rating on the stock. The shares are relatively thinly traded. As such, we would be patient and place limit orders in the current US$2.90-US$3.25 range and be patient.

Copyright 2018 KeyStone Financial Publishing Corp.

BV (BV/Share): Book value (book value per share)

Book value per common share calculated as total shareholder's equity less preferred equity, and divided by the number of common shares outstanding. Should the company decide to dissolve, the book value per common share indicates the dollar value remaining for common shareholders after all assets are liquidated and all creditors are paid.

D/E: Debt-to-equity ratio

A measure of a company's financial leverage calculated by dividing long term debt by shareholders equity. It indicates what proportion of equity and debt the company is using to finance its assets.

Current ratio

One of many ratios designed to evaluate short-term liquidity of a company. Calculated as current assets divided by current liabilities, this ratio gauges the level of cash resources relative to current liabilities as a measure of cash obligations.

EBITDA

Earnings before interest, taxes, depreciation, and amortization. EBITDA is calculated as revenue minus expenses (excluding tax, interest, depreciation, and amortization).

EPS: Earnings per share

A company's earnings available to common shareholders, also known as net income or net profit, divided by the number of shares outstanding.

EV: Enterprise value

Enterprise value is calculated as market capitalization less cash and equivalents, plus debt. Evaluation of EV relative to the company's trailing EBITDA is used in identifying potential takeover targets.

FCF: Free cash flow

Capital expenditures are subtracted from cash flow from operating activities to arrive at free cash flow, which intends to measure the cash available to a company after making all cash outlays necessary to maintain existing productive capacity (as measured by capital expenditures on a company's cash flow statement).

Net working capital

A measure of the company's ability to carry on its normal business comfortably and without financial stringency, to expand its operations without the need of new financing, and to meet emergencies and losses. Calculated by deducting current liabilities from the current assets.

P/B: Price-to-book ratio

Calculated as a stock's market value (current closing price) divided by its latest quarter's book value. While a lower P/B ratio could mean that the stock is undervalued, it could also serve as a sign of weak fundamentals, and as with most ratios, this varies a fair amount by industry.

PEG ratio

The price/earnings to growth, or PEG ratio is calculated as P/E ratio divided by a company's annual EPS growth. The PEG ratio is used to determine a stock's value while taking into account earnings growth.

P/FCF: Price-to-free cash flow ratio

Calculated as a company's current share price divided by its free cash flow per share (i.e., free cash flow divided by the number of company's shares outstanding) over the last four quarters (called "TTM," or "trailing 12 months" calculation). It is a measure of the market's expectations regarding a firm's future financial health.

P/S: Price-to-sales ratio

It is calculated as a stock's current market price divided by its sales (revenue) per share. When calculating this ratio, we use the company's revenue from its latest four quarters, or on a TTM basis.

ROE: Return on equity

A measure of a corporation's profitability, calculated as net income divided by shareholder's equity. ROE is often useful in comparing the profitability of a company to other firms in the same industry.

Featured companies in KeyStone's Small-Cap Stock Report are evaluated on a scale of 1 to 5 on each of the following criteria:

Value: 1 - poor investment value
5 - excellent investment value

Growth: 1 - poor growth potential
5 - excellent growth potential

Risk/Liquidity: 1 - high exposure to liquidity concerns
5 - low exposure to liquidity concerns

Overall: 1 - poor fundamental characteristics
5 - excellent fundamental characteristics

Disclosure					
Stock Holding				Other	
Companies	KeyStone	KeyStone Employees	Related Companies	Investment Banking Client	Related Company Business Relationship
XPEL Technologies Corp.	YES	NO	NO	NO	NO

Copyright 2018 KeyStone Financial Publishing Corp.