
**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, 2025

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)



Nevada

(State or other jurisdiction of incorporation or organization)

711 Broadway, Suite 320

(Address of Principal Executive Offices)

San Antonio

Texas

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 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

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 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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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, 2025, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$900,884,616.

The Registrant had 27,604,183 shares of Common Stock outstanding as of February 27, 2026.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts into which Incorporated
Portions of the registrant's Proxy Statement relating to the 2026 Annual Meeting of Stockholders to be held on June 4, 2026.	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,” “goal,” “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.

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

- A material disruption from our contract manufacturers or suppliers, or our inability to obtain a sufficient supply of products from alternate suppliers, could cause us to be unable to meet customer demands or increase our costs.
- Any continued reliance on contract manufacturers and suppliers exposes us to product quality and variable cost risks.
- Our results depend on the timely availability of raw materials, components, and commodities at acceptable prices.
- If we do not manage or control the quality of our products, we may be unable to meet customer demands and incur higher costs.
- Our planned investment in manufacturing and supply chain assets exposes us to execution risks.

Risks Related to Our Business in China

- Failure to meet the PRC government's complex regulatory requirements on and significant oversight over our business operation could result in a material adverse change in our operations and the value of our securities.
- We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business.

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.
- Our operating results can be adversely affected by inflation, changes in the cost or availability of raw materials, labor, energy, transportation and other necessary supplies and services.
- The after-market automotive product supply business is highly competitive. Competition presents an ongoing threat to the success of our Company.

Strategic Risks

- 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 the implementation of our growth strategy.

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.
- 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.

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.
- Short sellers of our stock may be manipulative and may have driven down and may again drive down the market price of our Common Stock.
- 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.

General Risk Factors

- General global economic and 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

We are a supplier of protective films, coatings and related services primarily to the automobile aftermarket, new car dealerships and automobile original equipment manufacturers, or OEMs. The majority of our revenue is derived from the sale of our automotive products and related services while the remainder of our revenue is derived from non-automotive products including architectural window film and marine and flat surface protection films.

The Company began as a software company designing vehicle patterns used to produce cut-to-fit protective film for headlights and painted surfaces of automobiles. In 2007, we began selling automotive paint protection film products to complement our software business. As paint protection film technology improved and became more durable, awareness and adoption of paint protection film continued to increase, driving significant industry growth over the last several years. Initial adoption of paint protection film came primarily from luxury car enthusiasts in the United States and Canada. These enthusiasts were primarily served by a growing automotive aftermarket of independent installers of automotive paint protection and window films. Internationally, nascent demand began to build as awareness and adoption in the United States and Canada continued to increase. Over the last few years, new car dealership interest in the product increased due to their exposure to the aftermarket installer network, while OEM interest in the product increased through their exposure to the new car dealerships who were selling the product.

Our strategy initially centered on how best to serve and grow our network of independent installers in the US and Canada and to sell products internationally through independent distributors while simultaneously building and enhancing the XPEL brand. This “best-in-class” service strategy was then extended to new car dealerships and OEMs. Internationally, while our initial market entry has primarily been through indirect distribution, we desire to ultimately sell directly to the majority of the top 25 car markets in the world, which is an important element of our acquisition strategy. To that end, we have acquired distributors in several international markets including India, Thailand, Japan and, most recently, China.

Surface and Paint Protection Film: Our primary products are paint and surface protection films. Most of the products sold are for automotive applications. Paint protection film, our flagship product, is a self-adhesive film designed to be applied to painted surfaces of automobiles and other surfaces. We offer both clear and colored paint protection film as well as a variety of product lines each with their own unique characteristics, warranties and intended uses. Surface and paint protection film sales represented approximately 52.4% of our consolidated revenue for the year ended December 31, 2025.

Automotive Window Film (or Tint): We sell several lines of automotive window or tint films, primarily under the XPEL PRIME brand name, which exhibit a range of performance characteristics and appearances. Automotive window film sales represented approximately 16.6% of our consolidated revenue for the year ended December 31, 2025.

Windshield Protection Film: We sell windshield protection film which, unlike automotive window tint, is applied to the outside of a windshield, helping to make the windshield more impact-resistant and prevent costly repairs.

Architectural Window Film: 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, 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.

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.

Miscellaneous Products, Tools and Pre-Cut Films: We sell a variety of other miscellaneous product sets including pre-cut film products, tools and accessories and merchandise and apparel.

Services

Installation Services: We offer installation services for the installation of all of our products through our various sales channels. We have over 640 installation technicians who are highly trained to install our products effectively and efficiently. Installation labor revenue represented approximately 18.3% of our consolidated revenue for the year ended December 31, 2025.

Software: A key component of our product offering is our Design Access Platform (“DAP”). DAP is a proprietary SAAS platform and database consisting of over 90,000 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 practicable. Our patterns and software increase installer efficiency and reduce waste.

Our DAP customers pay a monthly access fee to access our proprietary database.

Training Services: We offer training services to our customers for the installation of all of our products. The installation of surface protection and window films requires training and practice to become proficient. We offer both inbound and outbound training for a fee.

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 utilize a new car dealership centric focus that allows us to sustain continued growth in the enthusiast segment while simultaneously driving increased awareness and adoption down market with non-luxury brands. This new car dealership focus is complemented by a comprehensive offering to OEMs that further increases awareness and adoption.

We seek to increase global brand awareness in strategically important areas, including pursuing high visibility at premium events such as major car shows, auto races 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 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. During 2025, we completed five 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.

Historically, the Company has pursued an "asset-light" manufacturing model whereby third-party suppliers and manufacturers have been used to supply the Company with the majority of its products. Moving forward, to further enhance our core business, we will be investing in manufacturing and supply chain assets in order to drive lower costs and better control the quality of our products.

Sales and Distribution

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

Independent After-market Installers

We offer complete turn-key solutions, which include XPEL protection films, installation training, access to our proprietary DAP software, marketing support and lead generation to independent after-market installers. For the year ended December 31, 2025, approximately 51% of the Company's consolidated revenue was through this channel.

We offer a suite of services to complement our products to our aftermarket installer customers 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.

New Car Dealerships

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:

- outsourcing the installation of film to the after-market which is the most common option;
- developing an in-house program where the dealerships hire and train their own employees to install the product (which is purchased directly from us); or,
- utilizing 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 installation services at dealership locations.

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, 2025, approximately 16% of the Company's consolidated revenue was through this channel.

Company-Owned Installation Centers

XPEL operates 34 Company-owned installation centers: fourteen in the United States, nine in Canada, two in both India and Taiwan, and one each in the United Kingdom, Germany, Australia, Mexico, Japan, Thailand, and China. These locations serve wholesale and retail customers in their respective markets.

Some of our Company-owned installation centers are located in geographic areas where we also serve customers in our independent installer 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.

OEMs

XPEL sells products, including paint protection film, and provides services, including the installation of paint protection film, referral programs and pre-delivery inspection to various OEMs. The installation and pre-delivery inspection services are provided in-plant at the OEMs' facilities or in one of our facilities that is typically adjacent to the OEM's facility.

Online Sales

XPEL offers certain products such as paint protection kits, car wash products, after-care products and installation tools sold via its website, other websites and marketplaces such as Amazon.com. Revenues from this channel are negligible, but we believe that by offering these products on our website, we increase brand awareness.

Research and Development

Our research and development activities are central to our competitive position and long-term growth strategy. We focus our R&D efforts on developing innovative protective film technologies, enhancing product performance characteristics, and improving manufacturing processes across our paint protection film, automotive tint, and architectural tint product lines.

Product Development Initiatives

Our R&D team is dedicated to advancing the performance, durability, and aesthetic qualities of our protective film products. Key areas of focus include the development of self-healing polyurethane and polymer technologies for our paint protection films, enhanced optical clarity and heat rejection capabilities for our automotive and architectural tint products, and improved adhesive formulations that facilitate installation while ensuring long-term bonding performance. We also invest in developing products with superior resistance to yellowing, cracking, and delamination under prolonged environmental exposure, including UV radiation and temperature fluctuation.

Collaboration and Intellectual Property

We collaborate with third-party research institutions, materials science laboratories, and technology partners to supplement our internal R&D capabilities and remain at the forefront of protective film innovation. We protect our proprietary technologies through a combination of patents, trade secrets, and confidentiality agreements. We believe our intellectual property portfolio provides meaningful competitive advantages, although we cannot assure you that our intellectual property rights will not be challenged or circumvented by competitors or other third parties.

Future Initiatives

Looking ahead, we plan to continue investing in next-generation protective film technologies, including films with enhanced environmental sustainability profiles, advanced ceramic and nano-particle infused tint products, and smart film technologies capable of dynamic light and heat modulation. We believe that continued investment in research and development will be essential to maintaining our market position and responding to evolving customer and regulatory requirements.

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), numerous suppliers in Korea and China 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.*

The Company also competes for "shelf space" within new car dealerships, particularly in the United States and Canada. Dealerships have several options to sell additional products and/or services to automobile purchasers in order to increase their gross profit per vehicle. The Company believes its products and services provide dealerships with a set of unique options to increase their gross profit per vehicle.

Manufacturing and Supply Chain

During 2025, the Company's products were sourced from a number of suppliers or manufactured by various third-party contract manufacturers. The Company's film products (including paint protection film and automotive and architectural window films) are produced using various roll-to-roll manufacturing processes. The Company conducts 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 the following 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 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.

Moving forward, the Company has determined that it will invest in manufacturing and supply chain assets which will complement the third party manufacturers for certain products. These investments are expected to lower costs, improve quality and maximize logistical manufacturing efficiency.

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* and Risk Factor - *Our planned investment in manufacturing and supply chain assets exposes us to execution risks.*

Government Regulation and Legislation

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.

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.

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 in the United States and other jurisdictions. This includes the EU's General Data Protection Regulation ("GDPR") and the California Privacy Rights Act ("CPRA"), 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 damage to our reputation and payment of monetary penalties.

China

We also operate through a majority-owned subsidiary organized in the People's Republic of China ("PRC"). The following summary describes certain material laws and regulations applicable to our operations, including those affecting our PRC subsidiary, our employees in China, and our sales into the PRC market. Given the pace of regulatory change in the PRC, the U.S.-China bilateral environment, and global trade and data governance frameworks, new or revised laws could impose additional requirements or restrictions on our business.

Corporate, Foreign Investment and Operating Permissions in the PRC

Foreign investment in the PRC is regulated by the Foreign Investment Law and related implementing regulations, together with the Special Administrative Measures (Negative List) for Foreign Investment Access. Our current activities are not on the Negative List and are conducted through a majority-owned PRC subsidiary, subject to customary corporate registrations and licenses. Certain sectors may require additional filings or approvals with competent authorities such as the Ministry of Commerce, the State Administration for Market Regulation and local bureaus. If our business scope changes or if the Negative List is revised to include our activities, we could be required to obtain additional permissions or restructure certain operations.

Employment, Labor and Social Insurance in the PRC

Our PRC subsidiary employs PRC nationals and is subject to the PRC Labor Contract Law and implementing rules governing employment contracts, working hours, wages, termination and severance. We are also required to make contributions to social insurance and housing funds for employees in accordance with national and local regulations. Non-compliance can result in fines, back payments and other administrative penalties.

PRC Data, Cybersecurity and Privacy Requirements

Our PRC operations collect, process and transmit data in the ordinary course of business. The PRC Cybersecurity Law, Data Security Law and Personal Information Protection Law impose obligations relating to data security, classification and protection, personal information processing, cross-border data transfers, security assessments and potential cybersecurity review by the Cyberspace Administration of China (“CAC”). Depending on the volume and nature of data processed, or the classification of our systems as “critical information infrastructure,” we may be required to complete filings, certifications or security assessments before transferring certain data outside the PRC or before listing-related activities that implicate cybersecurity review thresholds.

PRC Foreign Exchange, Cash Management and Dividend Remittance

The PRC maintains a foreign exchange control system administered by the State Administration of Foreign Exchange (“SAFE”). Our ability to receive dividends or intercompany payments from our PRC subsidiary is subject to PRC regulations on profit distribution, tax clearance and SAFE registration, and may require conversion of Renminbi (“RMB”) into foreign currency at authorized banks. PRC law also imposes restrictions on loans, guarantees and certain related-party transactions.

Product Compliance, Licensing and Industry-Specific Regulation

We must comply with national standards, product certification, labeling and safety requirements applicable to our products in the PRC, as well as obtain any sector-specific permits required for manufacturing, distribution or after-sales services. Regulatory regimes differ by industry and may be revised with limited advance notice. Market entry and continued sales may depend on obtaining and maintaining approvals such as China Compulsory Certification or other sectoral clearances.

Supply Chain, Human Rights and Customs

To the extent our supply chain includes PRC-sourced components or manufacturing, we are subject to evolving import, customs, human rights and forced-labor-related measures that can affect shipment clearance and supplier selection.

Government Influence and Evolving Regulatory Environment

PRC laws and policies are subject to rapid change and may be applied with significant administrative discretion. Government actions to guide industry development, promote national initiatives, adjust foreign investment policies, strengthen data governance, or address public interest concerns can affect our operations, contractual arrangements, workforce and cross-border activities.

The foregoing summary does not purport to be exhaustive and is qualified in its entirety by reference to applicable statutes and regulations. Additional information about related risks appears in Item 1A, “Risk Factors.”

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 software to monitor our progress on this objective.

Intellectual Property and Brand Protection

We own intellectual property rights, including numerous patents, licenses, 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, although we cannot assure you that our intellectual property rights will not be challenged or circumvented by competitors or third parties. 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, 2025, the Company employed approximately 1,337 people (full-time equivalents), with approximately 729 employed in the United States and 608 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.

The Company's culture is driven by certain principles:

- humility;
- ownership and accountability;
- celebrate and recognize achievement;
- inclusion and belonging; and
- having a "NO TOMORROW" attitude in your daily activities.

These principles are known as "XPEL Behaviors" and are incorporated into employee performance reviews.

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 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, but the Company strives to offer competitive pay and benefits in each jurisdiction in which it has operations.

Available Information

XPEL was incorporated in Nevada in 2003. Our street address is 711 Broadway, Suite 320, San Antonio, Texas 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 makes 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. Such risks should be carefully considered, some of which have manifested and any of which may occur in the future, before making an investment decision with respect to any of the Company's securities. See "Cautionary Notice Regarding Forward-Looking Statements." In addition, there may be other factors not currently known to the Company, which could, in the future, materially adversely affect the Company, its business, financial condition, or the results of operations. The Company does not undertake responsibility for updating any of the factors listed below, whether as a result of new information, future events, or otherwise. Investors are advised to consult any further public Company disclosures on related subjects, such as filings with the Securities and Exchange Commission, in Company press releases, or in other public Company presentations.

Operational Risks

A material disruption from our contract manufacturers or suppliers, or our inability to obtain a sufficient supply of 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, 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 could be subject to various supply chain disruptions. Such disruptions 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 should supply chain disruptions 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.

Any continued reliance on contract manufacturers and suppliers exposes us to product quality and variable cost 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.

If we do not manage or control the quality of our products, we may be unable to meet customer demands and incur higher costs .

We are generally responsible for the quality of our products manufactured at third party manufacturers or our own facilities. We may have limited recourse to third party manufacturers for the costs of quality or we may incur higher costs if we do not control or manage quality issues in our own facilities.

Our results depend on the timely availability of raw materials, components, and commodities at acceptable prices.

Our results depend on the timely availability of raw materials, components, and commodities at acceptable prices. We source key inputs from a limited number of suppliers and, in some cases, from single-source or sole-source suppliers. Disruptions arising from supplier financial distress, capacity constraints, quality issues, labor shortages, geopolitical events, trade restrictions, sanctions, pandemics, natural disasters, or transportation bottlenecks may lead to shortages, extended lead times, production delays, and increased costs that we may not be able to pass through to customers. Volatility in prices for resins, chemicals, energy, and freight can compress margins, especially under fixed-price or long-term contracts. Changes in tariffs and trade policies affecting automotive parts and accessories, port congestion, container availability, and customs detentions can delay imports and increase costs. If a significant supplier is located in a region subject to political instability, export controls, or forced-labor enforcement actions, our ability to source on expected timelines could be adversely affected.

Our planned investment in manufacturing and supply chain assets exposes us to execution risks.

Pursuant to our decision to invest in manufacturing and supply chain assets, our capital requirements and capital allocation decisions will fundamentally change which may introduce additional operational, environmental and other risks. In addition, the Company may lack the experience or appropriate personnel to manage these assets effectively.

We are subject to extensive environmental, health, and safety laws and regulations governing emissions, discharges, waste management, hazardous materials, chemical registration, and worker protection.

We are subject to extensive environmental, health, and safety laws and regulations governing emissions, discharges, waste management, hazardous materials, chemical registration, and worker protection. Compliance can require significant capital and operating expenditures and may become more costly as standards tighten. Past or future releases of hazardous substances at our sites or third-party locations could result in investigations, cleanup obligations, fines, penalties, or third-party claims. Workplace accidents or occupational exposure incidents could disrupt operations, lead to civil or criminal liabilities, increase insurance costs, and damage our reputation. We may also be subject to extended producer responsibility or take-back obligations for products such as batteries, tires, and packaging.

Existing and potential new trade policies, such as tariffs, could adversely affect our operations, costs and business.

President Donald Trump has issued a series of executive orders since taking office in January 2025, including executive orders regarding tariffs. While the possibility exists for delays, reductions or exemptions of the automotive and reciprocal tariffs, the potential impacts of these tariffs remain uncertain and may cause a significant impact on the future demand for vehicles by consumers. To the extent any such tariffs remain in place for a sustained period of time, or in the event a global or domestic recession results therefrom, the disposable income of consumers could be significantly reduced, which may result in consumers deciding to delay vehicle purchases, or forego them entirely, or decide to delay or forego the addition of vehicle accessories, each of which could adversely affect our results of operations and financial condition.

Additional actions taken by the U.S. that restrict or could impact the economics of trade — including additional tariffs, trade barriers, and other similar measures — could have the potential to further disrupt existing supply chains and trigger retaliatory efforts by other countries, including the imposition of tariffs, raising taxation, setting foreign exchange or capital controls, or establishing embargoes, sanctions, or other import/export restrictions, thereby negatively impacting our business, both directly and indirectly. These developments, or the perception that more of them could occur, may materially create, or increase business uncertainty and could adversely affect the global economy and stability of global financial markets, potentially reducing trade and depressing economic activity, including demand for our products. Such changes in international trade policies may result in direct impacts to our business or indirectly to our customers or suppliers through increased costs, changes in business prospects or operating results, which could adversely affect our financial condition. The extent of such impacts cannot be predicted at this time.

If we are unable to effectively manage our growing labor force, our business could be impacted.

Commensurate with our increased focus on servicing dealerships and OEMs, we have substantially increased our labor force over the last few years. The successful execution of our strategy is dependent upon our ability to effectively manage the risks inherent in a growing labor force including:

- the unionization of our workforce;
- increased employee-related legal exposure;
- our ability to effectively manage labor costs in lower demand environments;
- our ability to motivate and retain our employees;

If we are unable to successfully manage these and other employee-related risks, our business, financial condition and results of operations could be materially affected.

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, neither 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.

Increased regulatory scrutiny of dealerships that inhibit or change their selling process or how they interface with consumers could impact our revenue.

Dealerships are subject to changes in regulatory rules, or requirements proposed or imposed by the Federal Trade Commission, Consumer Protection Agency or States Attorney Generals, that could change industry-accepted practices with regard to sales and/or offering of accessories to consumers. Such changes could impact the offering of our products as accessories or prohibit such offerings which could adversely impact our revenue.

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.

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.

With the completion of the China Acquisition, we are now subject to certain additional risks including:

Failure to meet the PRC government's complex regulatory requirements on and significant oversight over our business operation could result in a material adverse change in our operations and the value of our securities.

We have a robust distribution network located in China. The PRC government has significant authority to influence and intervene in the China operations of an offshore holding company, such as XPEL, at any time. Accordingly, our business, prospects, financial condition, and results of operations may be influenced to a significant degree by political, economic, and social conditions in China generally.

The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures to underscore the importance of the utilization of market forces for economic reform, the divestment of state ownership in productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through strategically allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to selected industries or companies.

Fluctuation in the value of RMB may result in foreign currency exchange losses.

The conversion of the Renminbi ("RMB") into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China ("PBOC"). Historically, the exchange rate between RMB and the U.S. dollar has showed higher volatility in certain years while staying within a narrow range in other years. The value of RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. It is difficult to predict how market forces or Chinese or U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future.

Substantially all of our revenues and costs in China are denominated in RMB. As a holding company, we may rely on dividends and other fees paid to us by our subsidiaries in China. Any significant revaluation of the RMB may materially affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our Common Stock in U.S. dollars. For example, an appreciation of RMB against the U.S. dollar would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into RMB for such purposes. Conversely, a significant depreciation of RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Common Stock. If we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends and share repurchases of our Common Stock, strategic acquisitions or investments or other business purposes, the appreciation of the U.S. dollar against RMB would have a negative effect on U.S. dollar amounts available to us.

Risks Related to Our Majority but Not Wholly-Owned Subsidiary in China.

Our operations in China are conducted in part through a subsidiary in which we hold a majority, but not a 100%, ownership interest. This structure presents several risks that could materially and adversely affect our business, financial condition, and results of operations:

- *Limited Control Over Minority Interests*

Although we control the board and management of the subsidiary, the minority shareholders may have rights under PRC law or the subsidiary's organizational documents that could limit our ability to direct certain actions, such as approving major transactions, amending governing documents, or distributing dividends. Disputes with minority shareholders could result in litigation, delays, or disruptions to our business.

- *Dividend and Profit Distribution Risks*

Dividends and other distributions from our Chinese subsidiary are subject to PRC regulations and approval processes. As a majority but not sole owner, we may not be able to unilaterally determine the timing or amount of distributions, and the minority shareholders may block or delay such actions. In addition, PRC law requires that a portion of after-tax profits be set aside as statutory reserves before dividends can be paid, further limiting the amount available for distribution.

- *Potential Conflicts of Interest*

The interests of the minority shareholders may not always align with ours. They may pursue business strategies or take actions that are inconsistent with our objectives, or they may have relationships with competitors, suppliers, or customers that could create conflicts of interest. We cannot assure you that any conflicts will be resolved in our favor.

- *Increased Risk of Disputes and Litigation*

Disagreements with minority shareholders regarding management, strategy, or profit allocation could lead to disputes or litigation. The PRC legal system is different from that of the United States and may not provide the same level of protection or predictability for foreign investors. Enforcement of our rights may be costly, time-consuming, and uncertain.

- *Limitations on Exit or Sale*

If we decide to sell our interest in the subsidiary, the minority shareholders may have rights of first refusal or other rights that could delay or prevent a sale or require us to sell on less favorable terms. In addition, PRC regulations may restrict the transfer of ownership interests in foreign-invested enterprises.

As a result of these and other risks, our ability to realize the full economic benefits of our majority-owned subsidiary in China may be limited, and our business, financial condition, and results of operations could be adversely affected

China's Merger & Acquisition Rules and certain other regulations establish complex procedures for certain acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

A number of laws and regulations of mainland China have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time consuming and complex. In addition to the Anti-Monopoly Law itself, these include the M&A Rules, the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of

Domestic Enterprises by Foreign Investors, or the Security Review Rules, promulgated in 2011, and the Measures for the Security Review of Foreign Investment promulgated by NDRC and the Ministry of Commerce in December 2020 which came into force on January 18, 2021. These laws and regulations impose requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, pursuant to anti-monopoly laws and regulations, the State Administration for Market Regulation should be notified in advance of any concentration of undertaking if certain thresholds are triggered, and the State Administration for Market Regulation clearance is required to be obtained before completion of such transactions. In light of the uncertainties relating to the interpretation, implementation and enforcement of the PRC anti-monopoly laws and regulations, we cannot assure you that the anti-monopoly law enforcement agency will not deem our future acquisitions or investments to have triggered filing requirement for anti-monopoly review. Moreover, the Security Review Rules specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by NDRC and the Ministry of Commerce, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the regulations to complete such transactions could be time consuming, and any required approval processes, including clearance from the State Administration for Market Regulation and approval from the Ministry of Commerce or other PRC government authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans to or make additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are a US company conducting our operations in China primarily through our PRC subsidiaries. We may make additional capital contributions or loans to our PRC subsidiaries, which are treated as foreign invested enterprises under laws of mainland China. Any loans by us to our PRC subsidiaries are subject to regulations and foreign exchange loan registrations in mainland China. For example, with respect to the registration, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the PRC State Administration of Foreign Exchange, or SAFE, or filed with SAFE in its information system; with respect to the outstanding amounts of loans, (i) if the PRC subsidiaries adopt the traditional foreign exchange administration mechanism, the outstanding amount of loans shall not exceed the difference between the total investment and the registered capital of the PRC subsidiaries; and (ii) if the PRC subsidiaries adopt the relatively new foreign debt mechanism, the risk-weighted outstanding amount of loans shall not exceed 200% of the net asset of the PRC subsidiaries. We may also finance our PRC subsidiaries by means of capital contributions. These capital contributions must be registered with the State Administration for Market Regulation or its local counterparts, and shall be concurrently reported to the Ministry of Commerce through its information reporting and submission system. Pursuant to the Circular on the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015 and was last amended on December 30, 2019, and the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which was promulgated in June 2016, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the “conversion-at-will” system for foreign currency settlement. SAFE Circular 19 and SAFE Circular 16, therefore, have substantially lifted the restrictions on the use by a foreign-invested enterprise of its RMB registered capital, foreign debt and repatriated funds raised through overseas listing converted from foreign currencies. Nevertheless, SAFE Circular 19 and SAFE Circular 16 reiterate the principle that RMB converted from the foreign currency-denominated capital of a foreign invested company may not be

directly or indirectly used for purposes beyond its business scope and prohibit foreign-invested companies from using such RMB fund to provide loans to persons other than affiliates unless otherwise permitted under their business scopes.

Under laws and regulations of mainland China, we are permitted to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC subsidiaries, subject to applicable government registration, statutory limitations on amount and approval requirements. These laws and regulations of mainland China may significantly limit our ability to use RMB converted from the net proceeds of any financing outside China to fund the establishment of new entities in China by our PRC subsidiaries, to invest in or acquire any other PRC companies through our PRC subsidiaries.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to service any debt we may incur. Current regulations of mainland China permit our PRC subsidiaries to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reached 50% of its registered capital.

Additionally, if our PRC subsidiaries incur debt in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. In addition, the incurrence of indebtedness by our PRC subsidiaries could result in operating and financing covenants and undertakings to creditors that would restrict the ability of our PRC subsidiaries to pay dividends to us.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Increases in labor costs and enforcement of stricter labor laws and regulations in China may adversely affect our business and our profitability.

China's overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will increase. Unless we are able to pass on these increased labor costs to those who pay for our products and services, our profitability and results of operations may be materially and adversely affected.

In addition, we may be subject to stricter regulatory requirements in terms of entering into labor contracts with our employees, limitation with respect to utilization of labor dispatching, applying for foreigner work permits, labor protection and labor condition and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees.

China adopted a labor contract law, or the Labor Contract Law, which went into effect on January 1, 2008 and was amended in 2012. The Labor Contract Law imposes more stringent requirements on employers with regard to, among other things, minimum wages, and severance payments upon permitted termination of the employment by an employer and non-fixed term employment contracts, time limits for

probation periods as well as the duration and the times that an employee can be placed on a fixed term employment contract. According to the Labor Contract Law, an employer is obliged to sign an unlimited-term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract is deemed to have an unlimited term, with certain exceptions. The employer must also pay severance to an employee in nearly all instances where a labor contract, including a contract with an unlimited term, is terminated or expires. In addition, the PRC government has continued to introduce various new labor-related regulations since the implementation of the Labor Contract Law. Among other things, new annual leave requirements mandate that annual leave ranging from five to 15 days be made available to nearly all employees and further require that each employer compensates an employee for any annual leave days the employee is unable to take in the amount of three times his daily salary, subject to certain exceptions.

Pursuant to the Labor Contract Law and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee's probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

Companies registered and operating in China are required under the PRC Social Insurance Law (latest amended in 2018) and the Regulations on the Administration of Housing Funds (latest amended in 2019) to, apply for social insurance registration and housing fund deposit registration within 30 days of their establishment, and to pay for their employees different social insurances including pension insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing provident funds to the extent required by law.

As the interpretation and implementation of labor-related laws and regulations are still evolving, our employment practices may violate labor-related laws and regulations in China, which may subject us to labor disputes, government investigations, and imposition of sanctions. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations including those relating to obligations to make full social insurance payments and contribute to the housing provident funds. If we are found to have violated applicable labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be adversely affected.

Any failure to comply with Chinese regulations regarding our employee equity incentive plans may subject Chinese plan participants or us to fines and other legal or administrative sanctions.

Pursuant to State Administration of Foreign Exchange, or SAFE Circular 37, China residents who participate in share incentive plans in overseas non-publicly listed companies may submit applications to SAFE or its local branches for foreign exchange registration with respect to offshore special purpose companies. Any of our employees who are Chinese citizens or who have resided in China for a continuous period of not less than one year and who have been granted restricted shares, restricted stock units ("RSUs"), performance stock units ("PSUs"), stock appreciation rights ("SARs"), or stock options (collectively, the "share-based awards") are subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly-listed company who are Chinese citizens or who are non-Chinese citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company, and complete certain other procedures. Failure to complete SAFE registrations may result in fines and legal sanctions and may also limit our ability to make payments under our equity incentive plans

or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under Chinese laws.

In addition, the SAFE has issued circulars concerning employees' share-based awards. Under these circulars, employees working in China who exercise share options and SARs, or whose restricted shares, RSUs or PSUs vest, will be subject to Chinese individual income tax. The Chinese subsidiaries of an overseas listed company has obligations to file documents related to employees' share-based awards with relevant tax authorities and to withhold individual income taxes of those employees related to their share-based awards. Although we currently intend to withhold income tax from our Chinese employees in connection with any exercise of options and SARs and the vesting of their restricted shares, RSUs and PSUs, if the employees fail to pay, or our Chinese subsidiaries fail to withhold, their income taxes according to relevant laws, rules and regulations, our Chinese subsidiaries may face sanctions imposed by the tax authorities or other Chinese government authorities.

Failure to make adequate contributions to various employee benefit plans as required by Chinese regulations may subject us to penalties.

Companies operating in China are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. In October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, which came into effect on July 1, 2011. In April 1999, the State Council promulgated the Regulations on the Administration of Housing Funds, which was amended in March 2002. Companies registered and operating in China are required under the Social Insurance Law and the Regulations on the Administration of Housing Funds to, apply for social insurance registration and housing fund deposit registration within 30 days of their establishment and, to pay for their employees different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to the extent required by law. Recently, the PRC government enhanced its measures relating to social insurance collection, which lead to stricter enforcement. We could be subject to orders by the competent labor authorities for rectification and failure to comply with the orders which may further subject us to administrative fines.

While we believe we comply with all material aspects of relevant regulations, the requirements governing employee benefit plans have not been implemented consistently by the local governments in China given the different levels of economic development in different locations. If we are subject to late fees or fines in relation to the underpaid employee benefits, our results of operations and financial condition may be adversely affected.

We face increasing competition for qualified employees in China, particularly in other major cities and for technical, commercial, and managerial roles.

We face increasing competition for qualified employees in China, particularly in other major cities and for technical, commercial, and managerial roles. Wage levels, statutory minimum wages, and mandatory benefits have risen in recent years and may continue to increase as authorities adopt measures to enhance labor protection. We may also incur higher ongoing costs to comply with working time, overtime, paid annual leave, and, for certain personnel, post-employment non-compete compensation requirements. Turnover, especially among younger workers in high-growth labor markets, can require us to devote additional resources to recruitment, onboarding, training, and retention programs, including equity incentives that are subject to foreign exchange registration and local administrative practices. If we cannot hire and retain employees with the skills and experience we need on a timely and cost-effective

basis, or if our labor expenses increase faster than our ability to adjust pricing or productivity, our operations could be disrupted and our margins, financial condition, and results of operations could be adversely affected.

We are subject to occupational health and safety laws and regulations in China.

We are subject to occupational health and safety laws and regulations in China, including requirements to identify and control workplace hazards, implement safety management systems, provide protective equipment, conduct training and occupational health examinations, and report and remediate incidents. Compliance expectations and enforcement can vary by locality and may change with limited notice, and authorities conduct inspections and targeted enforcement campaigns that can lead to corrective orders. Failure to provide a safe working environment or to comply with applicable standards may result in administrative penalties, orders to suspend or restrict operations, mandatory remediation, and, in the event of serious accidents or injuries, potential civil liabilities and criminal sanctions for responsible personnel. Even when we comply, accidents or occupational disease claims may occur in our facilities or at third-party sites that perform manufacturing, warehousing, or field services on our behalf, which can lead to production or service disruptions, increased insurance and remediation costs, and reputational harm. Any of these events could adversely affect our business, financial condition, and results of operations.

Unauthorized access to, or improper use, disclosure, theft or destruction of, our customer or employee personal, financial or other data or our proprietary or confidential information that is stored in our information systems or by third parties on our behalf could result in substantial costs, expose us to litigation and damage our reputation.

We have been using, and plan to continue to use, digital technologies to improve the customer experience and drive sales growth. We, directly or indirectly, receive and maintain certain personal information about our customers in various information systems that we maintain and in those maintained by third-party service providers when, for example, receiving orders through mobile or online platforms, accepting digital payments, operating loyalty programs and conducting digital marketing programs. Our information technology systems, such as those we use for administrative functions, including human resources, payroll, accounting and internal and external communications, can contain personal, financial or other information of our employees. We also maintain important proprietary and other confidential information related to our operations and identifiable information about our franchisees. As a result, we face risks inherent in handling and protecting large volumes of information.

If our security and information systems or the security and information systems of third-party service providers are compromised for any reason, including as a result of data corruption or loss, security breach, cyber-attack or other external or internal methods, or if our employees, franchisees or service providers fail to comply with laws, regulations and practice standards, and this information is obtained by unauthorized persons, used or disclosed inappropriately or destroyed, it could subject us to litigation and government enforcement actions, cause us to incur substantial costs, liabilities and penalties and/or result in a loss of customer confidence, any and all of which could adversely affect our business, reputation, ability to attract new customers, results of operations and financial condition.

In addition, the use and handling of this information is regulated by evolving and increasingly demanding laws and regulations. The Chinese government has focused increasingly on regulation in the areas of information security and protection, including by implementing the PRC Cybersecurity Law effective June 1, 2017, which imposes tightened requirements on data privacy and cybersecurity practices. There are uncertainties with respect to the application of the cybersecurity law in certain circumstances. In addition, the PRC Data Security Law, which took effect on September 1, 2021, imposes data security and privacy obligations on entities and individuals carrying out data activities (including activities outside of the PRC), requires a national security review of data activities that may affect national security, and imposes restrictions on data transmissions. Furthermore, the PRC Personal Information

Protection Law, which took effect on November 1, 2021, sets out the regulatory framework for handling and protection of personal information and transmission of personal information, and many specific requirements of the law remain to be clarified by the CAC and other regulatory authorities. The Revised Cybersecurity Review Measures, which took effect on February 15, 2022, require critical information infrastructure operators procuring network products and services and online platform operators carrying out data processing activities, which affect or may affect national security, to conduct a cybersecurity review pursuant to the provisions therein. The Measures for Security Assessment for Outbound Data Transfer, which took effect on September 1, 2022, mandate mandatory government security review by the CAC in advance of certain cross-border data transfer activities. On September 24, 2024, the State Council issued the Regulations on the Administration of Network Data Security, which took effect on January 1, 2025, prescribing that the network data processors processing personal information of over 10 million individuals shall fulfill certain requirements for processing important data and require network data processors to take certain precautionary measures.

We believe that we are compliant in all material respects with the applicable regulations and policies that have been issued by the CAC to date. As of the date of this Report, (i) we have not received any formal notice from any PRC cybersecurity regulator identifying us as a “critical information infrastructure operator” or requiring us to go through the cybersecurity review procedures pursuant to the Revised Cybersecurity Review Measures; and (ii) we are not aware of any investigations against us initiated by the CAC based on the Revised Cybersecurity Review Measures. The exact scope of “critical information infrastructure operators” under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. Therefore, it is uncertain whether, in the future, we would be deemed to be a critical information infrastructure operator under Chinese laws. If we are deemed to be a critical information infrastructure operator under the PRC cybersecurity laws and regulations, we may be subject to obligations in addition to what we have fulfilled under the PRC cybersecurity laws and regulations.

Interpretation, application and enforcement of these laws, rules and regulations evolve from time to time and their scope may continually change, through new legislation, amendments to existing legislation or changes in enforcement. We have been taking and will continue to take reasonable measures to comply with applicable cybersecurity, data privacy and security laws. We cannot guarantee the effectiveness of the measures undertaken by us, and such measures may still be determined as insufficient, improper, or even as user-privacy invasive, by the relevant authorities, which may result in penalties against us.

Compliance with these laws, as well as additional regulations and standards regarding data privacy, data collection and information security that PRC regulatory bodies may enact in the future, may result in additional expenses to us as we may be required to upgrade our current information technology systems. Furthermore, as a result of legislative and regulatory rules, we may be required to notify the owners of information of any breach, theft or loss of their information, which could harm our reputation, as well as subject us to litigation or actions by regulatory bodies and adversely affect our financial results.

We expect that cybersecurity, data privacy and security will continue to be a focus of regulators, as well as attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with information security and protection. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business, shutdown of websites and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

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 sentiment and spending, vehicle demand and preferences (which can be affected by a number of factors, including fuel costs, employment levels, inflation, tariffs, and the availability and cost of consumer financing). The imposition of new tariffs, quotas, duties, or other restrictions or limitations could increase prices for vehicles adversely affecting demand which, in turn, could have a material adverse effect on the condition of our business and our results of operations. In addition, rising interest rates could have a material adverse effect on consumer sentiment due to the direct relationship between interest rates and monthly loan payments, a critical factor for many buyers. 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.

Our operating results can be adversely affected by inflation, tariffs, changes in the cost or availability of raw materials, labor, energy, transportation and other necessary supplies and services.

Our success is dependent, in part, on our ability to reduce our exposure to, or mitigate, the impact of increases in the cost of raw materials, finished goods, energy, transportation and other necessary supplies and services through a variety of programs, including periodic purchases, future delivery purchases, long-term contracts, and sales price adjustments, while maintaining and improving margins and market share. Significant inflation in the costs of labor, finished goods, raw materials, energy and transportation has negatively impacted, and may continue to negatively impact, the Company's results of operations. There is no assurance that we will be able to fully offset any such cost increases through cost reduction programs or price increases of our products, especially given the competitive environment. If we generally are not able to sufficiently increase our pricing to offset these increased costs or if increased costs and prolonged inflation were to occur, it could materially and adversely affect our business, operating results and profitability. Sustained price increases may lead to declines in volume as competitors may not adjust their prices or customers may decide not to pay the higher prices, which could lead to sales declines and loss of market share.

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 changes dramatically, our revenue could be impacted.

Generally, most vehicles 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, changes in franchise laws 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.

Increased regulatory scrutiny of dealerships that inhibit or change their selling process or how they interface with consumers could impact our revenue.

Dealerships are subject to changes in regulatory rules, or requirements proposed or imposed by the Federal Trade Commission, Consumer Protection Agency or States Attorney Generals, that could change industry-accepted practices with regard to sales and/or offering of accessories to consumers. Such changes could impact the offering of our products as accessories or prohibit such offerings which could adversely impact our revenue,

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 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.

Changes in OEM accessorization strategies or production volumes could impact our business.

Most of our services we provide to OEMs involve our labor installing product either in their facilities or in adjacent facilities that we lease. If OEMs decided to hire and utilize their own labor for the installation of products, our business could be impacted.

If OEM production volumes were negatively impacted due to economic, regulatory or competitive reasons, we may incur excess labor costs associated with the reduced demand.

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

Our intellectual property, particularly our patterns, is susceptible to being copied without our authorization. In addition, the Company is routinely exposed to trademark infringement and attempts to counterfeit our products. 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.

We must conduct research and development activities to improve our existing products and services and to introduce new products and services.

Our competitiveness depends on our ability to innovate, scale new materials and processes, and introduce new products that meet customer requirements on cost, performance, and reliability. Development delays, technical hurdles, or lower-than-expected yields can miss customer windows, reduce expected returns, or lead to write-offs of capitalized development or tooling. Rapid technological change, shorter product life cycles, and substitution by alternative materials or processes can erode our market positions. Our products must be engineered to fit specific vehicle applications; inaccuracies in fitment data, electronic catalog content, or application coverage can lead to installation difficulties, elevated returns, warranty claims, and reputational damage

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.

Strategic Risks

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, including manufacturing assets, 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, 2025 accounted for approximately 44.2% 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;
- the imposition of trade protection measures, including increased tariffs, and import or export licensing requirements, restrictions, tariffs or exchange controls;
- fluctuating exchange rates;
- 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 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.

Our international sales and operations are also subject to the risks associated with changes in local government regulations and policies regarding investments, employment, taxation, incentives, foreign exchange and capital controls and the repatriation of earnings. Moreover, government regulations and policies regarding international trade, such as import quotas, punitive taxes or tariffs or similar trade barriers, whether imposed by individual governments or regional trade blocs, can affect demand for our products and services, impact the competitive position of our products or services or encumber our ability to manufacture or sell or procure products in certain countries. The implementation of more restrictive trade policies, including tariffs, by the U.S. or by other countries, such as China, Canada and Mexico, where we sell or produce our products and services or procure materials, including as a result of trade conflict between the U.S. and other countries, could negatively impact our business, results of operations and financial condition. Our international sales and operations are also sensitive to political and economic instability, changes in foreign national priorities and government budgets, and the risks associated with differing legal systems and customs in foreign countries.

We expect that sales to emerging markets will continue to account for a significant portion of our sales as developing nations around the world increase their demand for our products. In addition, as part of our globalization strategy, we have invested in certain countries in the Middle East. Emerging markets can present many risks, including cultural differences (such as employment and business practices), compliance risks, economic and government instability, exchange rate fluctuations and the imposition of foreign exchange and capital controls. While these factors and their impact are difficult to predict, any one or more of them could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition

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 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 growth over the last several years and we believe we will continue to grow at a rapid pace, particularly in less mature markets outside of North America. 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

In addition to the regulatory risks we face in China, we face additional legal, regulatory and Compliance risks including as follows:

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, 2025 was \$0.3 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. It remains unclear what the U.S. administration or foreign governments, including China, Canada, Mexico and India 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.

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 state of California's California Privacy Rights Act 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.

Short sellers of our stock may be manipulative and may have driven down and may again drive down the market price of our Common Stock.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed or intends to borrow from a third party with the intention of buying identical securities at a later date to return to the lender. A short seller hopes to profit from a decline in the value of the securities, as the short seller expects to pay less in the covering purchase than it received in the sale. It is therefore in the short seller's interest for the price of the stock to decline, and some short sellers publish, or arrange the publication of, opinions or characterizations regarding the relevant issuer, often involving deliberate misrepresentations of the issuer's business prospects and similar matters calculated to create negative market momentum.

As a public entity in a highly digital world, we have been and, in the future, may be the subject of concerted efforts by short sellers to spread misinformation and misrepresentations in order to gain an illegal market advantage. The publication of intentional misinformation by a short seller concerning the Company could be associated with the selling of shares of our Common Stock in the market on a large scale, resulting in a precipitous decline in the market price per share of our Common Stock. In addition, the publication of intentional misinformation may also result in lawsuits, the uncertainty and expense of which could adversely impact our business, financial condition, cash flows and reputation.

While utilizing all available tools to defend ourselves and our assets against these short seller efforts, there is limited regulatory control, making such efforts an ongoing concern for any public company. There are no assurances that we will not face more of these short sellers' efforts or similar tactics by adverse actors in the future, and the market price of our Common Stock may decline as a result of their actions.

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 capitalization, 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 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 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 27, 2026, we had 27,604,183 shares of Common Stock outstanding of which 2,584,071 shares were held by affiliates. All of the shares of Common Stock held by affiliates are restricted or 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 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 may have control over us.

Our directors and executive officers, together with their affiliates and related persons, beneficially owned, in the aggregate, approximately 9.4% of our outstanding Common Stock as of February 27, 2026. These stockholders may have the ability to 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 located in Clark County, Nevada 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 Eighth Judicial District Court of Clark County, Nevada (or, if the Eighth Judicial District Court of Clark County, Nevada does not have jurisdiction, any other state court located within the State of Nevada) will be the sole and exclusive forum for any actions, suits or proceedings, whether civil, administrative or investigative (i) brought in the name or right of the Company or on its behalf, (ii) asserting a claim for breach of any fiduciary duty owed by any current or former director, officer, employee or agent of the Company to the Company or the Company's stockholders, (iii) any internal action (as defined in Nevada Revised Statutes ("NRS") 78.046) including any action asserting a claim against the Company arising pursuant to any provision of NRS Chapters 78 or 92A, the articles of incorporation or these Bylaws, or any agreement as to which the NRS confers jurisdiction on the district court of the State of Nevada, (iv) to interpret, apply, enforce or determine the validity of the articles of incorporation or these Bylaws or (v) asserting a claim governed by the internal affairs doctrine. The choice of forum provision does not apply to any actions arising under the Securities Act or the Securities Exchange Act.

General Risk Factors

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, 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, 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 its 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 Systems manages the third-party service provider engaged to monitor the Company's cybersecurity environment and is regularly updated by the third-party service provider on the cybersecurity activities. The Director of Enterprise Systems has over 23 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. The Audit Committee reports information about cybersecurity risks to the entire Board of Directors.

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 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, 2025 is set forth in the chart below.

Country or Region	Installation and Sales Locations	Warehouse Locations	Administrative, Training, and Other Locations	Leased Square Footage
United States	20	3	1	349,105
Continental Europe	4	2	3	90,938
Canada	13	4	3	121,342
Mexico	1	1	—	13,659
United Kingdom	1	1	—	14,835
Asia and Asia Pacific	13	6	3	251,229

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 27, 2026, there were eight stockholders of record. This number of stockholders does not include shares held in "street name."

Dividend Policy

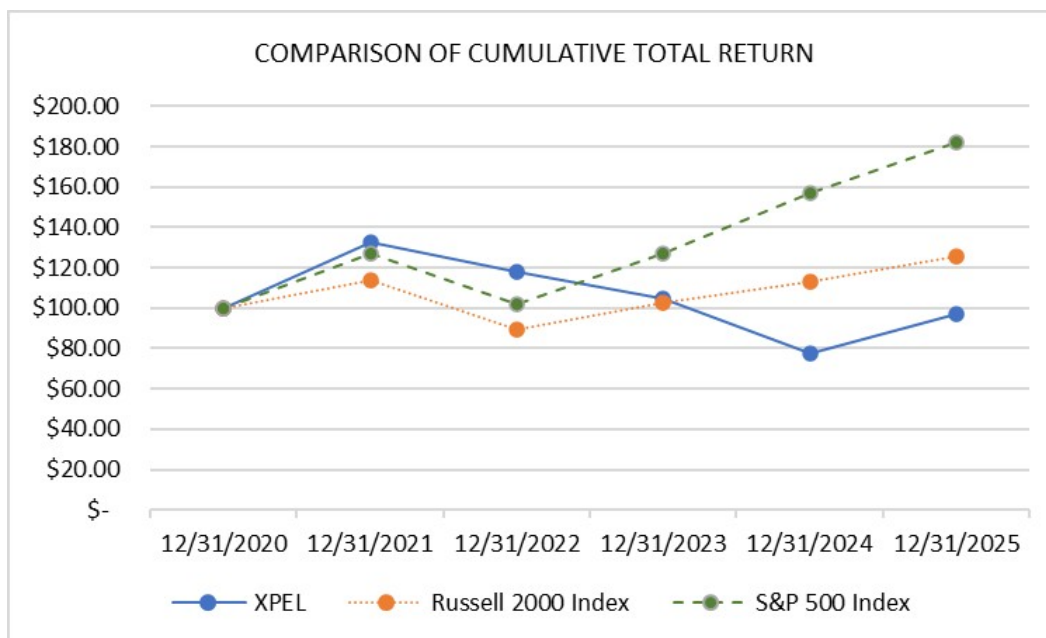
Holders of our Common Stock are entitled to receive such dividends as declared by our Board. No dividends have been paid with respect to our Common Stock and no dividends are anticipated to be paid in the foreseeable future. Any future decisions as to payment of dividends will be at the discretion of 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 December 31, 2020 through December 31, 2025. The data assumes a hypothetical investment of \$100 on December 31, 2020 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.



Purchases of Equity Securities

In May 2025, the Board approved a stock repurchase program that authorized the Company to purchase up to \$50 million of the Company's Common Stock. The timing and amount of shares repurchased will depend on the stock price, business and market conditions, corporate and regulatory requirements, alternative investment opportunities, acquisition opportunities and other factors. The repurchase program may be suspended or discontinued at any time. It is XPEL's intention to comply with applicable securities laws, including insider trading laws, when engaging in transactions in the Company's common stock.

The following table provides information relating to our purchases of our Common Stock during the three months ended December 31, 2025:

	Total number of shares (or units) purchased (a)(b)	Average Price paid per share (or unit) (a)(b)	Total number of shares (or units) purchased as part of publicly announced plans or programs (c)	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (d)(e)
October 1-31	—	\$ —	—	\$ —
November 1-30	78,624	38.16	78,624	46,999,708
December 1-31	—	—	—	—
Total	78,624	\$ 38.16	78,624	\$ 46,999,708

(a)(b) In May 2025, the Company's Board of Directors authorized the Company to repurchase up to \$50 million of the Company's common stock. The timing and amount of shares repurchased will depend on the stock price, business and market conditions, corporate and regulatory requirements, alternative investment opportunities, acquisition opportunities and other factors. The repurchase program may be suspended or discontinued at any time.

(c) The repurchase program may be suspended or discontinued at any time.

(d) Shares that may be purchased under the program exclude shares of Common Stock that may be surrendered to satisfy statutory minimum tax withholding obligations in connection with the vesting of restricted stock units and performance stock units issued to employees.

(e) Excludes a 1% excise tax imposed by the Inflation Reduction Act.

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, 2025, 2024, and 2023. 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	
	2025	% of Total Revenue	2024	% of Total Revenue	2023	% of Total Revenue	2025 vs. 2024	2024 vs. 2023
Total Revenue	\$ 476,200	100.0 %	\$ 420,400	100.0 %	\$ 396,293	100.0 %	13.3 %	6.1 %
Total Cost of Sales	275,181	57.8 %	243,040	57.8 %	233,879	59.0 %	13.2 %	3.9 %
Gross Margin	201,019	42.2 %	177,360	42.2 %	162,414	41.0 %	13.3 %	9.2 %
Total Operating Expenses	138,370	29.1 %	118,213	28.1 %	95,442	24.1 %	17.1 %	23.9 %
Operating Income	62,649	13.2 %	59,147	14.1 %	66,972	16.9 %	5.9 %	(11.7)%
Other (Income) Expense	(1,412)	(0.3)%	2,369	0.6 %	941	0.2 %	(159.6)%	151.8 %
Income Tax	12,472	2.6 %	11,289	2.7 %	13,231	3.3 %	10.5 %	(14.7)%
Net Income	<u>\$ 51,589</u>	<u>10.8 %</u>	<u>\$ 45,489</u>	<u>10.8 %</u>	<u>\$ 52,800</u>	<u>13.3 %</u>	<u>13.4 %</u>	<u>(13.8)%</u>

Company Overview

We are a supplier of protective films, coatings and related services primarily to the automobile aftermarket, new car dealerships and OEMs. The majority of our revenue is derived from the sale of our automotive products and related services while the remainder of our revenue is derived from non-automotive products including architectural window film and marine and flat surface protection films.

Key Business Metric - Non-GAAP Financial Measures

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").

EBITDA is a non-GAAP financial measure. We believe EBITDA provides helpful information with respect to our operating performance as viewed by management, including a view of our business that is not dependent on (i) the impact of our capitalization structure and (ii) items that are not part of our day-to-day operations. Management uses EBITDA (1) to compare our operating performance on a consistent basis, (2) to calculate incentive compensation for our employees, (3) for planning purposes including the preparation of our internal annual operating budget, (4) to evaluate the performance and effectiveness of

our operational strategies, and (5) to assess compliance with various metrics associated with the agreements governing our indebtedness. Accordingly, we believe that EBITDA provides useful information in understanding and evaluating our operating performance in the same manner as management. We define EBITDA as net income plus (a) total depreciation and amortization, (b) interest expense, net, and (c) income tax expense.

The following table is a reconciliation of Net Income to EBITDA for the years ended December 31, 2025, 2024, and 2023 (dollars in thousands):

	2025	% of Total Revenue	2024	% of Total Revenue	2023	% of Total Revenue
Net Income	\$ 51,589	10.8 %	\$ 45,489	10.8 %	\$ 52,800	13.3 %
Interest	83	— %	996	0.2 %	1,248	0.3 %
Taxes	12,472	2.6 %	11,289	2.7 %	13,231	3.3 %
Depreciation	6,264	1.3 %	5,820	1.4 %	4,534	1.1 %
Amortization	6,990	1.5 %	5,877	1.4 %	5,059	1.3 %
EBITDA	\$ 77,398	16.3 %	\$ 69,471	16.5 %	\$ 76,872	19.4 %

Use of Non-GAAP Financial Measures

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.

EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of ongoing operations; and other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

Results of Operations

This section of this Annual Report on Form 10-K generally discusses the years ended December 31, 2025 and 2024 and year-over-year comparisons between those years. Discussions of the periods prior to the year ended December 31, 2024 that are not included in this Annual Report on Form 10-K are found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2024 and the discussion therein for the year ended December 31, 2024 compared to the year ended December 31, 2023 is incorporated by reference into this Annual Report.

The following tables summarize revenue results for the years ended December 31, 2025, 2024 and 2023 (dollars in thousands):

	Year Ended December 31,			% Change		% of Total Revenue		
	2025	2024	2023	2025 vs 2024	2024 vs 2023	2025	2024	2023
Product Revenue								
Paint protection film	\$ 249,401	\$ 226,710	\$ 229,880	10.0 %	(1.4)%	52.4 %	53.9 %	58.0 %
Window film	94,544	77,666	67,951	21.7 %	14.3 %	19.9 %	18.5 %	17.1 %
Other	15,910	14,473	13,575	9.9 %	6.6 %	3.3 %	3.4 %	3.5 %
Total	\$ 359,855	\$ 318,849	\$ 311,406	12.9 %	2.4 %	75.6 %	75.8 %	78.6 %
Service Revenue								
Software	\$ 8,729	\$ 8,061	\$ 6,518	8.3 %	23.7 %	1.8 %	1.9 %	1.6 %
Cutbank credits	16,530	17,015	17,626	(2.9)%	(3.5)%	3.5 %	4.0 %	4.4 %
Installation labor	87,049	74,478	58,477	16.9 %	27.4 %	18.3 %	17.7 %	14.8 %
Other	4,037	1,997	2,266	102.2 %	(11.9)%	0.8 %	0.6 %	0.6 %
Total	\$ 116,345	\$ 101,551	\$ 84,887	14.6 %	19.6 %	24.4 %	24.2 %	21.4 %
Total	\$ 476,200	\$ 420,400	\$ 396,293	13.3 %	6.1 %	100.0 %	100.0 %	100.0 %

Because many of our international customers require us to ship their orders to freight forwarders located in the United States, we cannot be certain about the ultimate destination of the product. The following table represents our estimate of sales by geographic regions based on our understanding of ultimate product destination based on customer interactions, customer locations and other factors for the years ended December 31, 2025 and 2024 (dollars in thousands):

	Year Ended December 31,		% 2025 vs 2024	% of Total Revenue	
	2025	2024		2025	2024
United States	\$ 265,756	\$ 240,569	10.5 %	55.8 %	57.2 %
Canada	49,545	52,139	(5.0)%	10.4 %	12.4 %
North America	315,301	292,708	7.7 %	66.2 %	69.6 %
China	39,921	24,148	65.3 %	8.4 %	5.7 %
Asia Other	20,895	16,825	24.2 %	4.4 %	4.0 %
Asia Pacific	60,816	40,973	48.4 %	12.8 %	9.7 %
EU, UK, and Africa	64,095	53,983	18.7 %	13.5 %	12.9 %
India and Middle East	24,984	21,072	18.6 %	5.2 %	5.0 %
Latin America	11,004	11,664	(5.7)%	2.3 %	2.8 %
Total	\$ 476,200	\$ 420,400	13.3 %	100.0 %	100.0 %

Revenue

Product Revenue. Product revenue increased 12.9% during the year ended December 31, 2025 as compared to 2024 and represented 75.6% of our consolidated 2025 revenue. Within this category, revenue from our paint protection film product line increased 10.0% as compared to the prior year and represented 52.4% of total consolidated revenue for the year ended December 31, 2025. The total increase in paint protection film sales was due to increased demand for our film products across multiple regions.

Revenue from our window film product line grew 21.7% during the year ended December 31, 2025 and represented 19.9% of our consolidated annual 2025 revenue. This increase was driven by continued demand resulting from increased product adoption in multiple regions for automotive window film. Our windshield protection film revenue for the year ended December 31, 2025 was \$7.0 million and represented 7.4% of total window film revenue and 1.5% of total consolidated revenue. Our windshield protection film product was launched during the fourth quarter 2024.

Other product revenue for the year ended December 31, 2025 grew 9.9% to \$15.9 million and represented 3.3% 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.

Geographically, we experienced continued growth in most of our regions during the year ended December 31, 2025 including growth of 65.3%, 24.2%, and 18.7% in China, Asia-Other, and EU/UK/Africa respectively. Additionally, we saw 10.5% growth in the US region, our largest market. The increase in China was driven primarily by increased demand and incremental direct revenue resulting from the completion of the acquisition of our China distributor late in the third quarter 2025. Other increases were primarily due to increasing product awareness and adoption.

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 2025, service revenue grew 14.6% over service revenue for the year ended December 31, 2024.

Within the service revenue category, software revenue increased 8.3% during the year ended December 31, 2025. This increase was due to an increase in total subscribers to our DAP software. Installation labor revenue increased 16.9% from the year ended December 31, 2024, due mainly to strong demand across our dealership service and OEM businesses.

Total installation revenue (labor and product combined) for the year ended December 31, 2025 increased 17.0% over the year ended December 31, 2024. These increases were primarily due to increased demand across our dealership services and OEM networks. Adjusted product revenue, which combines the cutbank credit revenue service component with product revenue, increased by 12.1% from the year ended December 31, 2024 due mainly to the same factors described above.

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, 2025 increased 12.1% over the year ended December 31, 2024, commensurate with the growth in product revenue. Cost of service revenue grew 18.4% during the year ended December 31, 2025, commensurate with the related serviced revenue growth. Refer to the Gross Margin section below for discussion of this cost relative to revenue.

Gross Margin

The following table summarizes gross margin for product and services for the years ended December 31, 2025, 2024 and 2023 (dollars in thousands):

	Year Ended December 31,			% Change		% of Category Revenue		
	2025	2024	2023	2025 vs	2024 vs	2025	2024	2023
				2024	2023			
Product	\$ 135,888	\$ 119,058	\$ 113,398	14.1 %	5.0 %	37.8 %	37.3 %	36.4 %
Service	65,131	58,302	49,016	11.7 %	18.9 %	56.0 %	57.4 %	57.7 %
Total	\$ 201,019	\$ 177,360	\$ 162,414	13.3 %	9.2 %	42.2 %	42.2 %	41.0 %

Product gross margin for the year ended December 31, 2025 increased approximately \$16.8 million, or 14.1%, over the year ended December 31, 2024 and represented 37.8% and 37.3% of total product revenue for the years ended December 31, 2025 and 2024, respectively. The increase in product gross margin percentages was primarily due to decreases in product costs, favorable changes in product mix and improved operating leverage.

Service gross margin increased approximately \$6.8 million for the year ended December 31, 2025, and represented 56.0% and 57.4% of total service revenue for the years ended December 31, 2025 and 2024, 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, 2025 increased 19.4% compared to 2024. These expenses represented 10.7% and 10.2% of consolidated revenue for the years ended December 31, 2025 and 2024, respectively. This increase was due mainly to increased personnel, and additional marketing projects including sponsorships and increased marketing efforts to dealerships and end customers.

General and administrative expenses for the year ended December 31, 2025 increased 15.7% compared to 2024. These costs represented 18.3% and 17.9% of total consolidated revenue for the years ended December 31, 2025 and 2024, respectively. The increase was due mainly to increases in personnel costs, occupancy costs, depreciation and amortization primarily related to acquisitions and acquisition-related professional fees.

Interest Expense

Interest expense decreased from \$1.0 million to \$0.1 million in the year ended December 31, 2025 compared to the year ended December 31, 2024. This decrease was due to limited drawdowns on our debt facility throughout the year.

Income Tax Expense

Our provision for income taxes was \$12.5 million in the year ended December 31, 2025 as compared to \$11.3 million in the year ended December 31, 2024. Our effective income tax rates for the years ended December 31, 2025 and 2024 were 19.5% and 19.9%, respectively. See Note 15 of the Notes to our Consolidated Financial Statements for further information.

Net Income

Net income for the year ended December 31, 2025 increased by 13.4% to \$51.6 million.

Liquidity and Capital Resources

The primary sources of liquidity for our business are available cash and cash equivalents, cash flows provided by operations, and borrowings under our credit facilities. As of December 31, 2025, we had cash and cash equivalents of \$50.9 million, and we had approximately \$128.3 million in funds available under our credit facilities. For the year ended December 31, 2025, cash flows provided by operations were \$66.9 million. 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 \$66.9 million for the year ended December 31, 2025, compared to \$47.8 million for the year ended December 31, 2024. The increase in operating cash flows for the year ended December 31, 2025 was mainly due to an increase in net income, reduced inventory purchases, and an increase in accounts payable and other accrued liabilities due to normal payment cycle timing offset by increased accounts receivable related to increased revenue and approximately \$5.5 million resulting from a transition services agreement related to our China acquisition

Investing activities. Cash flows used in investing activities totaled approximately \$33.8 million during the year ended December 31, 2025 compared to cash used of \$18.4 million for the year ended December 31, 2024. This increase in cash used was due primarily to an increase in acquisition activity primarily related to our China acquisition during the year ended December 31, 2025.

Financing activities. Cash flows used in financing activities during the year ended December 31, 2025 totaled approximately \$3.7 million compared to cash used of \$19.3 million in the prior year. This change was due primarily to the timing of repayments on our credit facility, which was fully repaid in 2024.

Balances outstanding on contingent liabilities and debt totaled approximately \$20.0 million and \$2.1 million as of December 31, 2025 and December 31, 2024, 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 and borrowings under our credit facility. In the short-term, we are contractually obligated to make lease payments and make payments on contingent liabilities related to certain completed acquisitions. In the long-term, we are contractually obligated to make lease payments, for contingent liabilities, and for repayment of borrowings on our line of credit. In addition, if an opportunity presents itself, we may sell debt or equity securities, although we may not be able to complete such financing on terms acceptable to us or at all. 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

On September 11, 2025, XPEL entered into the Amendment to the Credit Agreement with Wells Fargo Bank, N.A., as Administrative Agent, and other lenders party thereto. The Amendment, among other things, extended the maturity of the Credit Agreement from April 6, 2026 to September 11, 2028. The Credit Agreement provides for secured revolving loans and letters of credit in an aggregate amount of up to \$125 million, which is subject to the terms of the Credit Agreement. As of December 31, 2025 and December 31, 2024, the Company had no outstanding balances under this agreement.

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, 2025, these rates were 6.8% and 4.8%, 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 September 11, 2028.

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 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 last day of each fiscal quarter:

1. XPEL shall not allow its Consolidated Total Leverage Ratio to exceed 3.50 to 1.00, and
2. XPEL shall not allow its Consolidated Interest Coverage Ratio to be less than 3.00 to 1.00.

The Company also has a CAD \$4.5 million (approximately \$3.3 million USD as of December 31, 2025) revolving credit facility through a financial institution in Canada, and is maintained by XPEL Canada Corp., a wholly-owned subsidiary of XPEL. This Canadian facility is utilized to fund the Company's working capital needs in Canada. This facility bears interest at the Royal Bank of Canada's prime rate plus 0.25% per annum and is guaranteed by the parent company. As of December 31, 2025 and December 31, 2024, the Company had no outstanding balances under the Credit Agreement.

As of December 31, 2025 and December 31, 2024, the Company was in compliance with all debt covenants.

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 fair market 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. 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, the Australian Dollar, the Indian Rupee, the Chinese Yuan Renminbi, the Japanese Yen, and the Thai Baht. 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, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, 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, 2025, 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 27, 2026, 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 Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

China Acquisition - Refer to Notes 1 and 3 to the financial statements

Critical Audit Matter Description

On September 9, 2025, the Company acquired certain assets from its exclusive distributor in China (the "China Acquisition"). The Company accounted for the China Acquisition as a business combination. Accordingly, the purchase price was first allocated to the identifiable assets with the unallocated portion being recognized as goodwill. Management engaged an independent third-party valuation specialist to assist with the fair value allocation of the purchase price.

We identified the purchase price allocation related to the China Acquisition as a critical audit matter because of the estimates and assumptions used to determine the fair value of identifiable assets acquired and liabilities assumed and contingent liabilities included in the purchase price. This required an increased extent of audit effort and specialized skill, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the purchase price allocation for the China Acquisition included the following, among others:

- We tested the effectiveness of controls over management's evaluation of the purchase price allocation, including the assumptions and estimates used to determine the fair value of identifiable assets acquired and liabilities assumed and contingent liabilities included in the purchase price.
- We assessed the knowledge, skills, abilities, and objectivity of management's independent third-party valuation specialist.
- We tested the completeness and accuracy of the purchase price allocation and goodwill recognized.

- With the assistance of our fair value specialists, we evaluated the reasonableness of the valuation methodologies and assumptions and estimates used to determine the fair value of the identifiable assets acquired and liabilities assumed and contingent liabilities included in the purchase price.

- We evaluated the accuracy and completeness of the financial statement presentation and disclosure of the China Acquisition.

/s/ Deloitte & Touche LLP

Austin, Texas
February 27, 2026

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

XPEL, Inc.

Consolidated Balance Sheets
(In thousands except share and per share data)

	December 31, 2025	December 31, 2024
Assets		
Current		
Cash and cash equivalents	\$ 50,864	\$ 22,087
Accounts receivable, net	49,846	29,146
Inventory, net	122,755	110,904
Prepaid expenses and other current assets	6,651	5,314
Income tax receivable	581	893
Total current assets	230,697	168,344
Property and equipment, net	15,797	17,735
Right-of-use lease assets	21,561	19,490
Intangible assets, net	49,620	34,562
Other non-current assets	5,574	1,350
Goodwill	59,277	44,126
Total assets	\$ 382,526	\$ 285,607
Liabilities		
Current		
Current portion of notes payable	\$ 59	\$ 63
Current portion of lease liabilities	6,094	4,666
Accounts payable and accrued liabilities	54,289	36,138
Other short-term liabilities	10,558	651
Total current liabilities	71,000	41,518
Deferred tax liability, net	120	469
Other long-term liabilities	9,511	1,810
Non-current portion of lease liabilities	16,710	16,126
Non-current portion of notes payable	—	229
Total liabilities	97,341	60,152
Commitments and Contingencies (Note 16)		
Stockholders' equity		
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; 27,682,807 and 27,651,773 issued, respectively	28	28
Additional paid-in-capital	18,049	15,550
Accumulated other comprehensive loss	(135)	(4,236)
Retained earnings	265,339	214,113
Treasury stock, 78,624 shares at cost	(2,999)	—
Stockholders' equity	280,282	225,455
Non-controlling interest	4,903	—
Total stockholders' equity	285,185	225,455
Total liabilities and stockholders' equity	\$ 382,526	\$ 285,607

See notes to consolidated financial statements.

XPEL, Inc.

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

	Year Ended December 31,		
	2025	2024	2023
Revenue			
Product revenue	\$ 359,855	\$ 318,849	\$ 311,406
Service revenue	116,345	101,551	84,887
Total revenue	476,200	420,400	396,293
Cost of Sales			
Cost of product sales	223,967	199,791	198,008
Cost of service	51,214	43,249	35,871
Total cost of sales	275,181	243,040	233,879
Gross Margin	201,019	177,360	162,414
Operating Expenses			
Sales and marketing	51,138	42,817	31,788
General and administrative	87,232	75,396	63,654
Total operating expenses	138,370	118,213	95,442
Operating Income	62,649	59,147	66,972
Interest expense	83	996	1,248
Foreign currency exchange (gain)/loss	(1,495)	1,373	(307)
Income before income taxes	64,061	56,778	66,031
Income tax expense	12,472	11,289	13,231
Net Income	\$ 51,589	\$ 45,489	\$ 52,800
Net income attributed to non-controlling interest	363	—	—
Net income attributable to stockholders of the Company	\$ 51,226	\$ 45,489	\$ 52,800
Earnings per share attributable to stockholders of the Company			
Basic	\$ 1.85	\$ 1.65	\$ 1.91
Diluted	\$ 1.85	\$ 1.65	\$ 1.91
Weighted Average Number of Common Shares Outstanding			
Basic	27,657	27,639	27,622
Diluted	27,683	27,643	27,634

See notes to consolidated financial statements.

XPEL, Inc.

Consolidated Statements of Comprehensive Income
(In thousands)

	Year Ended December 31,		
	2025	2024	2023
Other comprehensive income			
Net income	\$ 51,589	\$ 45,489	\$ 52,800
Foreign currency translation	4,101	(3,027)	994
Total comprehensive income	\$ 55,690	\$ 42,462	\$ 53,794
Total comprehensive income attributable to:			
Stockholders of the Company	\$ 55,327	\$ 42,462	\$ 53,794
Non-controlling interest	363	—	—
Total comprehensive income	\$ 55,690	\$ 42,462	\$ 53,794

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	Treasury Stock		Accumulated Other Comprehensive Loss (Income)	Equity Attributable to Stockholders of the Company	Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount			Shares	Amount				
Balance as of December 31, 2022	27,616	\$ 28	\$ 11,073	\$ 115,824	—	\$ —	\$ (2,203)	\$ 124,722	\$ —	\$ 124,722
Net income	—	—	—	52,800	—	—	—	52,800	—	52,800
Foreign currency translation	—	—	—	—	—	—	994	994	—	994
Stock-based compensation	14	—	1,473	—	—	—	—	1,473	—	1,473
Balance as of December 31, 2023	27,630	\$ 28	\$ 12,546	\$ 168,624	—	\$ —	\$ (1,209)	\$ 179,989	\$ —	\$ 179,989
Net income	—	—	—	45,489	—	—	—	45,489	—	45,489
Foreign currency translation	—	—	—	—	—	—	(3,027)	(3,027)	—	(3,027)
Stock-based compensation	22	—	3,004	—	—	—	—	3,004	—	3,004
Balance as of December 31, 2024	27,652	\$ 28	\$ 15,550	\$ 214,113	—	\$ —	\$ (4,236)	\$ 225,455	\$ —	\$ 225,455
Net income	—	—	—	51,226	—	—	—	51,226	363	51,589
Foreign currency translation	—	—	—	—	—	—	4,101	4,101	—	4,101
Stock-based compensation	31	—	2,499	—	—	—	—	2,499	—	2,499
Purchase of treasury shares	—	—	—	—	(79)	(2,999)	—	(2,999)	—	(2,999)
Minority interest contribution	—	—	—	—	—	—	—	—	4,540	4,540
Balance as of December 31, 2025	27,683	\$ 28	\$ 18,049	\$ 265,339	(79)	\$ (2,999)	\$ (135)	\$ 280,282	\$ 4,903	\$ 285,185

See notes to consolidated financial statements.

XPEL, Inc.

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2025	2024	2023
Cash flows from operating activities			
Net income	\$ 51,589	\$ 45,489	\$ 52,800
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	6,264	5,820	4,534
Amortization of intangible assets	6,990	5,877	5,059
Gain on sale of property and equipment	(13)	(49)	(13)
Stock compensation	2,753	3,197	1,640
Provision for credit losses	922	390	243
Deferred income tax	(299)	(2,745)	(921)
Changes in assets and liabilities:			
Accounts receivable, net	(20,444)	(5,604)	(7,000)
Inventory, net	11,476	(4,785)	(24,843)
Prepaid expenses and other current assets	(3,887)	(2,154)	604
Income taxes receivable and payable	249	(267)	(1,197)
Accounts payable and accrued liabilities	11,338	2,655	6,478
Net cash provided by operating activities	66,938	47,824	37,384
Cash flows used in investing activities			
Purchases of property, plant and equipment	(4,008)	(6,713)	(6,356)
Proceeds from sale of property and equipment	48	40	29
Acquisition of businesses, net of cash acquired	(26,168)	(9,855)	(18,735)
Purchases of long term investments	(2,100)	—	—
Development of intangible assets	(1,550)	(1,876)	(1,291)
Net cash used in investing activities	(33,778)	(18,404)	(26,353)
Cash flows from financing activities			
Net payments on revolving line of credit	—	(19,000)	(7,000)
Restricted stock withholding taxes paid in lieu of issued shares	(254)	(193)	(167)
Repayments of notes payable	(243)	(60)	(92)
Payments of deferred acquisition consideration	(161)	—	—
Purchases of treasury shares	(2,999)	—	—
Net cash used in financing activities	(3,657)	(19,253)	(7,259)
Net change in cash and cash equivalents	29,503	10,167	3,772
Foreign exchange impact on cash and cash equivalents	(726)	311	(219)
Increase in cash and cash equivalents during the period	28,777	10,478	3,553
Cash and cash equivalents at beginning of year	22,087	11,609	8,056
Cash and cash equivalents at end of year	\$ 50,864	\$ 22,087	\$ 11,609
Supplemental schedule of non-cash activities			
Non-cash acquisition consideration	\$ 24,094	\$ 1,600	\$ —
Non-cash lease financing	\$ 6,631	\$ 8,701	\$ 4,231
Issuance of Common Stock for vested restricted stock units	\$ 1,171	\$ 1,110	\$ 1,038
Non-cash minority interest contribution	\$ 4,540	\$ —	\$ —
Supplemental cash flow information			
Cash paid for income taxes	\$ 12,540	\$ 13,617	\$ 15,293
Cash paid for interest	\$ 89	\$ 1,026	\$ 1,240

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 paint protection film, surface protection film, automotive and commercial/architectural window films and ceramic coatings. The Company was incorporated in the state of Nevada, U.S.A. in October 2003.

Basis of Presentation - The consolidated financial statements are prepared in conformity with United States Generally Accepted Accounting Principles ("U.S. GAAP") and include the accounts of the Company and its majority-owned subsidiaries. Intercompany accounts and transactions have been eliminated. The functional currency for the Company is the United States ("U.S.") Dollar. The assets and liabilities of each of its majority-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

Reclassifications - Certain amounts in the prior period have been reclassified to conform to the current period presentation. Refer to Note 11, Other Short-term Liabilities for more information.

Segment Reporting - The Company's chief operating decision maker ("CODM") is its Chief Executive Officer. During the year ended December 31, 2025, the Company restructured its reporting to the CODM to include financial information from geographically segmented business units. The Company's CODM reviews geographically segmented data as well as consolidated results on a monthly basis to evaluate performance and make resource allocation decisions. Each geographical segment exhibits similar economic characteristics, shares common products and services, has similar customer types, and uses similar distribution methods. As a result, these segments have been aggregated into a single reportable segment in accordance with the aggregation criteria under ASC 280, Segment Reporting.

Use of Estimates - The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities as of 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 of \$0.1 million and \$0.2 million as of December 31, 2025 and 2024, 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

XPEL, Inc.
Notes to Consolidated Financial Statements

obligations, the Company records a specific reserve for credit losses. At December 31, 2025 and 2024, there were no significant accounts receivable concentrations.

Inventory - Inventories of all operating subsidiaries are comprised of film, raw materials used to manufacture film, film installation support products, and supplies. Inventory items 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 regularly evaluates inventory for potential write-downs to reflect declines in value due to discontinued products, slow-moving items, excess quantities, or other factors. Write-downs are recorded when the carrying value exceeds net realizable value, based on historical demand patterns, forecasted usage, estimated customer requirements, and product line updates. These adjustments are recorded within cost of goods sold.

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, and 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	5-10 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):

	2025	2024
United States	\$ 11,056	\$ 13,331
Canada	2,440	2,388
Europe	1,243	1,306
Other	931	710
China	127	—
Consolidated	<u>\$ 15,797</u>	<u>\$ 17,735</u>

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. During year ended December 31, 2025, the Company restructured its reporting to the CODM leading to the creation of additional reporting units. With the change in its operating segments, the Company reallocated goodwill across its reporting units, utilizing a relative fair value approach. The Company recognized no goodwill impairment in the years ended December 31, 2025, December 31, 2024, or December 31, 2023 and there is no significant accumulated impairment of goodwill from prior years. Refer to Note 6, Goodwill for more information related to goodwill.

XPEL, Inc.
Notes to Consolidated Financial Statements

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

	<u>2025</u>	<u>2024</u>
United States	\$ 24,811	\$ 24,782
China	12,165	—
Canada	10,392	9,763
Europe	6,084	5,548
Other	5,825	4,033
Consolidated	<u>\$ 59,277</u>	<u>\$ 44,126</u>

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

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

	<u>2025</u>	<u>2024</u>
United States	\$ 20,164	\$ 23,144
China	19,724	—
Canada	3,948	4,420
Europe	3,488	3,657
Other	2,296	3,341
Consolidated	<u>\$ 49,620</u>	<u>\$ 34,562</u>

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	9-15 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 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, 2025, 2024, or 2023.

Other Long-Term Liabilities - The balance presented as other long-term liabilities on the Company's consolidated balance sheet at December 31, 2025 and 2024 primarily relate to contingent liabilities from acquisitions. These liabilities are revalued at each reporting period. Refer to Note 14 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 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 incurred unless the Company incurred these expenses in the development of a new product or long-lived asset. Research and development costs were \$2.9 million, \$2.9 million, and \$2.9 million in the years ended December 31, 2025, 2024 and 2023, respectively.

Advertising costs - Advertising costs are charged to operations when incurred. Advertising costs were \$2.9 million, \$2.4 million and \$1.7 million in the years ended December 31, 2025, 2024 and 2023, 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, 2025 and 2024 (in thousands):

	2025	2024
Warranty balance at beginning of period	\$ 738	\$ 422
Warranties assumed in period	472	1,551
Payments	(903)	(1,235)
Warranty balance at end of period	<u>\$ 307</u>	<u>\$ 738</u>

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, 2025 and 2024, 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 assumed in a business combination, along with contingent liabilities included in the purchase price, 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-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:

<i>Level 1:</i>	Valuation is based on observable inputs such as quoted market prices (unadjusted) for identical assets or liabilities in active markets.
<i>Level 2:</i>	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.
<i>Level 3:</i>	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.

Recently Adopted Accounting Pronouncements

In September 2025, the FASB issued ASU 2025-07, "Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract", which clarifies the scope of derivative accounting and the treatment of share-based noncash consideration from customers. The standard is effective for annual periods beginning after December 15, 2026, and interim periods thereafter, with early adoption permitted. We adopted ASU 2025-07 as of September 30, 2025. The adoption did not have a material impact on our financial statements.

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures (Topic 740)". ASU 2023-09 requires enhanced disclosures on income taxes paid, adds disaggregation of continuing operations before income taxes between foreign and domestic earnings and defines specific categories for the reconciliation of jurisdictional tax rate to effective tax rate. This ASU is effective for fiscal years beginning after December 15, 2024, and can be applied on a prospective basis. We adopted ASU 2023-09 on a prospective basis for fiscal year 2025, with the effects reflected in Note 15, "Income Taxes".

Recent Accounting Pronouncements Issued and Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, "Disaggregation of Income Statement Expenses", which makes certain updates to the presentation of expenses. This standard becomes effective for our fiscal year beginning January 1, 2027. We are assessing the effect that the adoption of this standard will have on our financial statements.

In July 2025, the FASB issued ASU 2025-05, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets," which introduces a practical expedient for estimating credit losses on current receivables and contract assets. The expedient assumes that current conditions at the balance sheet date will persist through the forecast period. This standard becomes effective for fiscal years beginning after December 15, 2025, and interim periods within those years, with early adoption permitted. We are evaluating the impact of this standard on our financial statements.

In September 2025, the FASB issued ASU 2025-06, "Targeted Improvements to the Accounting for Internal-Use Software", to modernize the accounting for software costs. The new guidance amends the existing standard that refers to various stages of a software development project to align better with the current software development methods, such as agile programming. This standard becomes effective for annual reporting periods beginning after December 15, 2027 and interim periods within those annual reporting periods, with early adoption permitted. We are currently assessing the effect that the adoption of this standard will have on our financial statements.

In December 2025, the FASB issued ASU 2025-10, "Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities", to establish authoritative guidance on the accounting for government grants received by business entities. The guidance amends the accounting for a government grant received by a business entity, including guidance for (1) a grant related to an asset, and (2) a grant related to income. This standard becomes effective for annual reporting periods beginning after December 15, 2028 and interim periods within those annual reporting periods, with early adoption permitted. We are currently assessing the effect that the adoption of this standard will have on our financial statements.

In December 2025, the FASB issued ASU 2025-11, "Interim Reporting (Topic 270): Narrow Scope Improvements". The guidance clarifies interim disclosure requirements and the applicability of Topic 270. This standard becomes effective for interim reporting periods with annual reporting periods beginning after December 15, 2027, with early adoption permitted. We are currently assessing the effect that the adoption of this standard will have on our financial statements.

In December 2025, the FASB issued ASU 2025-12, "Codification Improvements". The update includes amendments made to 33 issues. This standard becomes effective for annual reporting periods beginning after December 15, 2026 and interim periods within those annual reporting periods, with early adoption permitted. We are currently assessing the effect that the adoption of this standard will have on our financial statements.

Recent Developments

On July 4, 2025, the One Big Beautiful Bill Act (“OBBBA”) was enacted in the U.S. The OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. We are continuing to evaluate the impact of OBBBA beyond 2025; however, any effects are expected to relate primarily to deferred tax items and are not anticipated to materially impact our effective tax rate.

On September 9, 2025, XPEL acquired certain assets from its exclusive distributor in China (the “China Acquisition”). The China Acquisition resulted in XPEL owning 76% interest in the entity conducting business in China. For details related to acquisitions, see Note 3.

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.

Revenue from product and services sales are recognized when control of the goods, or benefit of the service, is furnished to the customer. This 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 and those that do occur 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.

XPEL, Inc.
Notes to Consolidated Financial Statements

Under its contracts with customers, the Company stands ready to deliver product 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 (Note 10). 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 under the Accounting Standards Codification Topic 606 ("ASC 606") to omit disclosures regarding remaining performance obligations.

When the Company transfers goods or provides 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 due within 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 under ASC 606 to not adjust for the effects of a significant financing component. As such, these amounts are recorded as receivables and not contract assets.

The following table summarizes transactions included within contract liabilities for the years ended December 31, 2025, 2024, and 2023 respectively (in thousands):

Balance, December 31, 2023	\$	761
Revenue recognized related to payments included in the December 31, 2023 balance		(696)
Payments received for which performance obligations have not been satisfied		774
Effect of Foreign Currency Translation		(18)
Balance, December 31, 2024	\$	821
Revenue recognized related to payments included in the December 31, 2024 balance		(757)
Payments received for which performance obligations have not been satisfied		4,723
Effect of Foreign Currency Translation		8
Balance, December 31, 2025	\$	<u>4,795</u>

XPEL, Inc.
Notes to Consolidated Financial Statements

The table below sets forth the disaggregation of revenue by product category for the years ended December 31, 2025, 2024, and 2023 (in thousands):

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Product Revenue			
Paint protection film	\$ 249,401	\$ 226,710	\$ 229,880
Window film	94,544	77,666	67,951
Other	15,910	14,473	13,575
Total	\$ 359,855	\$ 318,849	\$ 311,406
Service Revenue			
Software	\$ 8,729	\$ 8,061	\$ 6,518
Cutbank credits	16,530	17,015	17,626
Installation labor	87,049	74,478	58,477
Other	4,037	1,997	2,266
Total	\$ 116,345	\$ 101,551	\$ 84,887
Total	\$ 476,200	\$ 420,400	\$ 396,293

Our largest customer accounted for 3.4%, 5.7% and 10.5% of our net sales during the years ended December 31, 2025, 2024 and 2023, respectively.

Because many of our international customers require us to ship their orders to freight forwarders located in the United States, we cannot be certain about the ultimate destination of the product. The following table represents our estimate of sales by geographic regions based on our understanding of ultimate product destination based on customer interactions, customer locations and other factors (in thousands):

	Year Ended December 31,		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
United States	\$ 265,756	\$ 240,569	\$ 224,839
Canada	49,545	52,139	43,506
North America	315,301	292,708	268,345
China	39,921	24,148	41,576
Asia Other	20,895	16,825	11,943
Asia Pacific	60,816	40,973	53,519
EU, UK, and Africa	64,095	53,983	48,812
India and Middle East	24,984	21,072	16,780
Latin America	11,004	11,664	8,837
Total	\$ 476,200	\$ 420,400	\$ 396,293

3. ACQUISITIONS OF BUSINESSES

The Company completed the following acquisitions during the years ended December 31, 2025, 2024 and 2023 (dollars in thousands):

During 2025, we completed five acquisitions for an aggregate purchase price of \$50.3 million.

During 2024, we completed five acquisitions for an aggregate purchase price of \$12.5 million.

During 2023, we completed four acquisitions for an aggregate purchase price of \$20.8 million.

On September 9, 2025, the Company acquired certain assets from its exclusive distributor in China through the formation of a new majority-owned subsidiary, XPEL New Materials Technology Shanghai Limited, in which the Company obtained a 76% controlling interest. The transaction was measured at fair value, using discounted cash flow analysis. The objective of the China Acquisition was to continue the Company's strategy of being direct in the majority of the top car markets in the world. This acquisition represented substantially all of the aggregate purchase price for the five acquisitions completed in 2025.

Purchase price accounting for acquisitions completed during the year ended December 31, 2025 are not yet finalized and are pending the completion of our valuation models. As a result, the purchase price accounting related to the contingent consideration, identified intangible assets, and goodwill included in these acquisitions are not yet finalized and these figures are presented on a preliminary basis. We anticipate finalizing the accounting for these acquisitions within 12 months of the completion of each respective acquisition date. Purchase price accounting for prior years has been finalized. The total preliminary purchase price for acquisitions completed during the year ended December 31, 2025, and finalized purchase price for those completed during the years ended 2024 and 2023 are as follows (in thousands):

	December 31,		
	2025 Acquisitions	2024 Acquisitions	2023 Acquisitions
Aggregate Purchase Price			
Cash ¹	\$ 26,196	\$ 10,907	\$ 20,387
Contingent consideration	24,094	1,600	—
Note payable	—	—	387
	<u>\$ 50,290</u>	<u>\$ 12,507</u>	<u>\$ 20,774</u>
Aggregate Allocation			
Cash	\$ 28	\$ 551	\$ 1,062
Inventory and other working capital	17,396	603	868
Other long-term assets	—	—	8
Property, equipment, and operating lease assets	717	3,225	878
Other long-term liabilities	—	—	(108)
Trademarks and trade names	110	1,231	406
Acquired patterns	—	222	—
Customer relationships	20,161	2,898	8,720
Goodwill	12,507	7,559	10,422
Operating lease liabilities	(629)	(3,103)	—
Deferred tax liability	—	(679)	(1,482)
	<u>\$ 50,290</u>	<u>\$ 12,507</u>	<u>\$ 20,774</u>

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.

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Intangible assets acquired in the years ended December 31, 2025 and 2024 have weighted average useful lives of 14 years and 9 years, respectively.

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.

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

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

The acquisitions were consolidated into our financial statements on their respective acquisition dates. The aggregate revenue and the operating income from 2025 acquisitions consolidated into our 2025 consolidated financial statements were \$18.1 million and \$2.0 million, respectively. The aggregate revenue and operating income of our 2024 acquisitions consolidated into our 2024 consolidated financial statements were \$5.1 million and \$0.1 million, respectively. The aggregate revenue and operating income of our 2023 acquisitions consolidated into our 2023 consolidated financial statements were \$4.8 million and \$0.4 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 acquisitions during the year ended December 31, 2025 had occurred on January 1, 2025 and 2024 (in thousands):

	Twelve Months Ended December 31,	
	2025 (Unaudited)	2024 (Unaudited)
Revenue	\$ 485,947	\$ 445,408
Net income	\$ 56,833	\$ 56,431

The unaudited consolidated pro forma combined financial information does not purport to be indicative of the results which would have been obtained had the acquisitions been completed as of the beginning of the earliest period presented or of results that may be obtained in the future. In addition, this financial information does not include any benefits that may result from the acquisition due to synergies that may be derived from the elimination of any duplicative costs.

During the year ended December 31, 2025, the Company recorded measurement period adjustments related to the 2025 acquisitions. These adjustments reduced the provisional fair value of customer relationships by \$2.6 million and trademarks by \$2.8 million, while increasing contingent consideration by \$0.7 million. The net effect was a corresponding increase to goodwill of approximately \$6.1 million. These adjustments resulted from updated valuation information and refined appraisals received during the measurement period. The adjustment was recognized in the current period in accordance with ASC 805 and had no material impact on the Company's results of operations for the current or prior periods.

Valuations and purchase price allocations for acquisitions completed during 2024 have been finalized with minor changes to goodwill and other acquired intangible assets.

4. PROPERTY AND EQUIPMENT, NET

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Furniture and fixtures	\$ 5,155	\$ 4,451
Computer equipment	5,892	5,202
Vehicles	1,178	1,075
Equipment	6,294	6,018
Leasehold improvements	14,067	11,878
Plotters	5,990	5,005
Construction in Progress	1,097	1,346
Total property and equipment	<u>39,673</u>	<u>34,975</u>
Less: accumulated depreciation	<u>23,876</u>	<u>17,240</u>
Property and equipment, net	<u>\$ 15,797</u>	<u>\$ 17,735</u>

Depreciation expense for the years ended December 31, 2025, 2024 and 2023 was \$6.3 million, \$5.8 million and \$4.5 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):

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Trademarks	\$ 1,663	\$ 1,386
Software	9,108	7,720
Trade name	2,240	2,638
Contractual and customer relationships	63,944	42,827
Non-compete	437	424
Other	732	693
Total at cost	<u>78,124</u>	<u>55,688</u>
Less: Accumulated amortization	<u>28,504</u>	<u>21,126</u>
Intangible assets, net	<u>\$ 49,620</u>	<u>\$ 34,562</u>

Amortization expense for the years ended December 31, 2025, 2024 and 2023 was \$7.0 million, \$5.9 million and \$5.1 million, respectively. Amortization expense is recorded within general and administrative expense. Based on the carrying value of definite-lived intangible assets as of December 31, 2025, we estimate our future amortization expense will be as follows (in thousands):

2026	\$ 8,417
2027	7,820
2028	7,351
2029	7,052
2030	5,149
Thereafter	\$ 13,831

6. GOODWILL

The following table summarizes changes in the carrying amounts of goodwill for the years ended December 31, 2025 and 2024 (in thousands):

Balance at December 31, 2023	\$ 37,461
Additions	7,762
Foreign currency translation	(1,097)
Balance at December 31, 2024	<u>\$ 44,126</u>
Balance at December 31, 2024	\$ 44,126
Additions	13,826
Foreign currency translation	1,325
Balance at December 31, 2025	<u>\$ 59,277</u>

For details related to acquisitions and purchase price allocations completed during the year ended December 31, 2025, refer to Note 3.

7. INVENTORIES

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

	December 31, 2025	December 31, 2024
Raw materials	\$ 15,618	\$ 18,686
Work in process	1,826	2,662
Finished goods	105,311	89,556
	<u>\$ 122,755</u>	<u>\$ 110,904</u>

8. DEBT

REVOLVING FACILITIES

On September 11, 2025, the Company entered into the First Amendment (the "Amendment") to its Credit Agreement, dated April 6, 2023 (as amended, the "Credit Agreement") with Wells Fargo Bank, N.A., as Administrative Agent, and other lenders party thereto. The Amendment, among other things, extended the maturity of the Credit Agreement from April 6, 2026 to September 11, 2028. The Credit Agreement provides for secured revolving loans and letters of credit in an aggregate amount of up to \$125 million, which is subject to the terms of the Credit Agreement. As of December 31, 2025 and December 31, 2024, the Company had no outstanding balances under the Credit Agreement. All capitalized terms in this description of the Credit Agreement, that are not otherwise defined in this report, have the meaning assigned to them in the Credit Agreement.

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, 2025, these rates were 6.8% and 4.8%, 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 September 11, 2028.

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 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 last day of each fiscal quarter:

1. XPEL shall not allow its Consolidated Total Leverage Ratio to exceed 3.50 to 1.00, and
2. XPEL shall not allow its Consolidated Interest Coverage Ratio to be less than 3.00 to 1.00.

The Company also has a CAD \$4.5 million (approximately \$3.3 million USD as of December 31, 2025) revolving credit facility through a financial institution in Canada, and is maintained by XPEL Canada Corp., a wholly-owned subsidiary of XPEL. This Canadian facility is utilized to fund the Company’s working capital needs in Canada. This facility bears interest at the Royal Bank of Canada’s prime rate plus 0.25% per annum and is guaranteed by the parent company. As of December 31, 2025 and December 31, 2024, no balance was outstanding on this line of credit.

9. EMPLOYEE BENEFIT PLANS

The Company sponsors defined contribution plans for substantially all employees. Annual Company contributions under the plans are discretionary. Company contributions are recorded within general and administrative expense and cost of goods sold and were \$1.6 million, \$1.4 million and \$1.0 million for the plan years ended December 31, 2025, 2024 and 2023, respectively.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2025	December 31, 2024
Trade payables	\$ 37,771	\$ 26,316
Payroll liabilities	7,814	5,329
Contract liabilities	4,795	821
Other liabilities	3,909	3,672
	\$ 54,289	\$ 36,138

11. OTHER SHORT-TERM LIABILITIES

The following table presents significant other short-term liability balances as of the periods ending (in thousands):

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Contingent consideration - acquisitions	\$ 10,530	\$ —
Acquisition holdback payments	28	651
	<u>\$ 10,558</u>	<u>\$ 651</u>

The contingent consideration - acquisitions represents consideration in which payment is contingent upon certain performance criteria pursuant to the terms of the agreement for the purchase of certain assets of our China distributor in September 2025. Acquisition holdback payments refer to portions of acquisition purchase price withheld at closing to address potential post-closing adjustments/obligations or other amounts otherwise payable. The classification of the liabilities presented above as short-term is based on the expected timing of settlement within the next 12 months.

Prior period acquisition holdback payments have been reclassified from "Accounts Payable and Accrued Liabilities" to "Other Short-Term Liabilities" to conform to the current period presentation. These reclassifications had no impact on previously reported net income, total assets, or total liabilities.

12. CAPITAL STOCK

Common Stock

Common stock shares issued at December 31, 2025 and 2024 were 27,682,807 and 27,651,773, respectively. Common stock shares outstanding at December 31, 2025 and 2024 were 27,604,183 and 27,651,773, respectively. Par value of these shares for these same dates was \$0.03 million.

Preferred Stock

At December 31, 2025 and 2024 there were no preferred stock shares issued and outstanding.

Treasury Stock

On May 6, 2025, the Board approved a stock repurchase program that authorized the Company to purchase up to \$50 million of the Company's Common Stock. The timing and amount of shares repurchased will depend on the stock price, business and market conditions, corporate and regulatory requirements, alternative investment opportunities, acquisition opportunities and other factors. The repurchase program may be suspended or discontinued at any time.

During the year ended December 31, 2025, the Company repurchased 78,624 shares on the open market at an average price of \$38.16 per share, for a total of \$3.0 million, excluding brokerage commissions and accrued excise tax. As of December 31, 2025, \$47.0 million was available for share repurchases under the program. There were no share repurchases during the year ended December 31, 2024.

13. 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 at the May 24, 2023 Annual Meeting of Stockholders. Under this amended plan, 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,

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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 Restricted Stock Units (“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 fair value of RSU awards is measured from the grant date fair value of the award. RSUs generally vest in equal annual installments over a four-year service period.

PSUs are granted to employees of the Company. The fair value of the PSUs is measured at the grant date fair value of the award, which is determined based on an analysis of the probable performance outcomes of the Company. The performance period is over three years and final earned shares are based on the achievement of revenue growth and return on invested capital or earnings per share metrics, as defined in the respective agreements. The earned shares vest at the conclusion of that service period.

The following table presents the unrecognized cost and the related weighted average recognition period associated with unvested equity awards as of December 31, 2025 (dollar values in thousands):

	Performance Stock Units	Restricted Stock Units
Unrecognized compensation cost	\$ 1,741	\$ 4,119
Weighted average remaining term	1.88	2.39

RSUs and PSUs have been granted under the Plan. Grant activity for the year ended December 31, 2025 is summarized as follows:

	Number of Performance Stock Units	Weighted Average Grant Value Per Share	Number of Restricted Stock Units	Weighted Average Grant Value Per Share
Outstanding at December 31, 2024	50,007	\$ 61.49	91,431	\$ 58.17
Granted	53,465	33.43	81,613	33.66
Vested	—	—	(29,965)	55.33
Forfeited or canceled	(3,969)	62.98	(13,067)	58.23
Outstanding at December 31, 2025	<u>99,503</u>	<u>\$ 46.36</u>	<u>130,012</u>	<u>\$ 43.43</u>

During the years ended December 31, 2025, 2024, and 2023, we recorded compensation expense of \$2.8 million, \$3.2 million, and \$1.6 million, respectively, related to grants under the Plan.

14. 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 identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market data and require the reporting entity to develop its own assumptions.

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable, our line of credit, and long-term debt. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, our line of credit, and short-term borrowings approximate fair value because of the near-term maturities of these financial instruments. The carrying value of the Company's notes payable approximates fair value due to the relatively short-term nature and interest rates of the notes. The carrying value of the Company's long-term debt approximates fair value due to the interest rates being market rates.

The estimated fair value of debt is based on market quotes for instruments with similar terms and remaining maturities.

The Company has contingent liabilities related to future internal performance milestones and the estimated value of acquired inventory that may be sold above its net realizable value. The fair value of these liabilities was determined using discounted cash flow analyses and Monte Carlo Simulations 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.

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Level 3 liabilities measured at December 31, 2025 and 2024 at fair value on a recurring basis are as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Level 3:		
Contingent Liabilities	\$ 19,966	\$ 1,816

The following table presents a summary of the changes in fair value of Level 3 liabilities for the years ended December 31, 2025, 2024, and 2023 respectively (in thousands):

Balance, December 31, 2023	\$	815
New acquisitions and measurement adjustments		1,623
Recognized contingent liabilities		(82)
Fair value adjustments		(512)
Effect of Foreign Currency Translation		(28)
Balance, December 31, 2024	\$	1,816
New acquisitions and measurement adjustments		25,037
Recognized contingent liabilities		(6,341)
Fair value adjustments		(613)
Effect of Foreign Currency Translation		67
Balance, December 31, 2025	\$	<u>19,966</u>

Level 3 contingent liabilities were updated during the reporting period as a result of new acquisitions and valuation adjustments. The valuation adjustments are reflected in general and administrative expenses in the Consolidated Statements of Income for the twelve months ended December 31, 2025 and 2024, respectively. See Note 3 for acquisition-related activity.

15. INCOME TAXES

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Domestic	\$ 51,900	\$ 47,019	\$ 61,974
International	12,161	9,759	4,057
Income before income taxes	<u>\$ 64,061</u>	<u>\$ 56,778</u>	<u>\$ 66,031</u>

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The provision for income taxes differs from the US federal statutory rate as follows (in thousands):

	2025		2024		2023	
Income tax expense at U.S. federal statutory rate	\$	13,453 21.0 %	\$	11,923 21.0 %	\$	13,867 21.0 %
State & local income taxes, net of federal income tax effect (A)		578 0.9 %		882 1.6 %		1,330 2.0 %
Foreign tax effects		1,383 2.2 %		(97) (0.2)%		145 0.3 %
China		720		—		—
Other		663		—		—
Effect of changes in tax laws or rates enacted in current period		— 0.0 %		— 0.0 %		— 0.0 %
Effect of cross-border tax laws		(1,127) (1.8)%		(1,079) (1.9)%		(1,611) (2.4)%
Foreign-derived intangible income		(839)		(1,115)		(1,647)
Other		(288)		36		36
Tax credits		(1,655) (2.6)%		(775) (1.4)%		— 0.0 %
Research & development credits		(1,655)		(775)		—
Changes in valuation allowances		— 0.0 %		— 0.0 %		— 0.0 %
Nontaxable or nondeductible items		404 0.6 %		381 0.7 %		169 0.3 %
Changes in unrecognized tax benefits		(39) (0.1)%		(40) (0.1)%		(34) (0.1)%
Other		(525) (0.8)%		94 0.2 %		(635) (0.6)%
Income tax expense (effective tax rate)	\$	12,472 19.5 %	\$	11,289 19.9 %	\$	13,231 20.2 %

For the year ended December 31, 2025, state and local income taxes in Texas, California and Arizona made up the majority (greater than 50%) of the effect of the state and local income tax category. For the year ended December 31, 2024, state and local income taxes in Texas, California, Illinois, and Massachusetts made up the majority (greater than 50%) of the effect of the state and local income tax category. For the year ended December 31, 2023, state and local income taxes in Texas, California, Arizona, and Illinois made up the majority (greater than 50%) of the effect of the state and local income tax category.

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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):

	Year ended December 31		
	2025	2024	2023
Current income tax expense			
Federal	\$ 6,977	\$ 9,969	\$ 11,104
Foreign	4,117	2,537	1,372
State	1,683	1,528	1,671
Total current income tax expense	<u>\$ 12,777</u>	<u>\$ 14,034</u>	<u>\$ 14,147</u>
Deferred income tax benefit			
Federal	\$ 1,303	\$ (1,865)	\$ (533)
Foreign	(870)	(630)	(354)
State	(738)	(250)	(29)
Total deferred income tax benefit	<u>\$ (305)</u>	<u>\$ (2,745)</u>	<u>\$ (916)</u>
Total	<u><u>\$ 12,472</u></u>	<u><u>\$ 11,289</u></u>	<u><u>\$ 13,231</u></u>

Income taxes paid (net of refunds received) for the years ended December 31 are as follows (in thousands):

	Year ended December 31		
	2025	2024	2023
Income Taxes paid (net of any refunds)			
US Federal	\$ 8,158	\$ 9,620	\$ 12,330
US State	1,749	1,876	1,544
Foreign	2,629	2,121	1,390
Canada	725	—	—
China	934	—	—
Other	970	2,121	1,390
Total	<u><u>\$ 12,536</u></u>	<u><u>\$ 13,617</u></u>	<u><u>\$ 15,264</u></u>

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

	Years ended December 31	
	2025	2024
Deferred tax assets		
Allowance for doubtful accounts	\$ 16	\$ 35
263(A) adjustment	265	264
Accrued expenses	197	177
Unrealized loss	162	273
State tax credit	1,109	246
NOL carryforward and other	694	537
Right of use lease liability	4,312	4,308
Capitalized acquisition costs	194	137
Capitalized R&D	1,356	3,128
Stock compensation	464	379
Less valuation allowance	(107)	(92)
Total deferred tax assets	\$ 8,662	\$ 9,392
Deferred tax liabilities		
Fixed and intangible assets	\$ 4,668	\$ 5,860
Unrealized gain	81	—
Right of use lease asset	4,033	4,001
Total deferred tax liabilities	8,782	9,861
Total net deferred tax liabilities	\$ (120)	\$ (469)

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 \$0.3 million available to apply against future taxable income. 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 \$1.4 million available to apply against future taxable income. These credits begin to expire in the year 2039.

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

	Year Ended December 31,		
	2025	2024	2023
Beginning unrecognized tax benefits	\$ 74	\$ 114	\$ 144
Increase in related tax positions of prior years	—	—	—
Lapse of statute of limitations	27	40	30
Ending unrecognized tax benefits	<u>\$ 47</u>	<u>\$ 74</u>	<u>\$ 114</u>

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, 2025 in the amount of \$0.08 million related to an uncertain tax position in one of its foreign jurisdictions. This amount includes an estimate for interest and penalties of \$0.03 million and is 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 2026 related to expiring statutes. The unrecognized tax benefits in the table above include \$0.05 million as of December 31, 2025, 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 2018 and after. There are no ongoing or pending IRS, state or foreign examinations.

16. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims including those pertaining to customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Management also has determined that the likelihood of any class action or other litigation and claims having a material impact on our results of operations, cash flows or financial position is remote.

17. 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.

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 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.

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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.

Balance sheet information related to operating leases is as follows (in thousands):

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Operating lease right-of-use assets	\$ 21,561	\$ 19,490
Current portion of operating lease liabilities	6,094	4,666
Noncurrent portion of operating lease liabilities	16,710	16,126
Total operating lease liabilities	<u>\$ 22,804</u>	<u>\$ 20,792</u>

We had operating lease expense of \$6.9 million, \$6.1 million, and \$5.0 million, respectively, for the years ended December 31, 2025, 2024, and 2023. For the year ended December 31, 2025, we had \$0.2 million in short-term lease expenses while cash payments on leases, and variable expenses were \$7.7 million, and \$2.1 million, respectively. For the year ended December 31, 2024, short-term lease expenses were \$0.4 million while cash payments on leases and variable lease expenses were \$5.8 million, and \$1.9 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:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Weighted-average remaining lease term (in years)	4.27	4.90
Weighted-average discount rate	7.0 %	6.9 %

The following table summarizes the maturity of our operating lease liabilities as of December 31, 2025:

2026	\$ 7,935
2027	6,715
2028	5,080
2029	3,173
2030	1,838
Thereafter	2,435
Total operating lease payments	<u>27,176</u>
Less: interest	(4,372)
Total operating lease liabilities	<u>\$ 22,804</u>

18. 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.

XPEL, Inc.
Notes to Consolidated Financial Statements

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,		
	2025	2024	2023
<i>Numerator</i>			
Net income attributable to stockholders of the Company	\$ 51,226	\$ 45,489	\$ 52,800
<i>Denominator</i>			
Weighted average basic shares outstanding	27,657	27,639	27,622
Dilutive effect of stock units	26	4	12
Weighted average diluted shares outstanding	27,683	27,643	27,634
<i>Earnings per share</i>			
Basic	\$ 1.85	\$ 1.65	\$ 1.91
Diluted	\$ 1.85	\$ 1.65	\$ 1.91

19. SEGMENT INFORMATION

The Company's chief operating decision maker ("CODM") is its Chief Executive Officer. The CODM reviews geographically segmented data as well as consolidated results on a monthly basis to evaluate performance and make resource allocation decisions. Each geographical segment exhibits similar economic characteristics, shares common products and services, has similar customer types, and uses similar distribution methods. As a result, these segments have been aggregated into a single reportable segment in accordance with the aggregation criteria under ASC 280, Segment Reporting.

The CODM reviews balance sheet information on a consolidated basis which is reflected in the Company's Consolidated Balance Sheets as of December 31, 2025 and December 31, 2024. The CODM uses gross margin and income from operations to evaluate return on total assets in deciding whether to invest in the development and expansion of our consolidated operations or into strategic transactions, such as acquisitions. Both metrics are also used to monitor budget versus actual results, perform competitive benchmarking analyses, and are considered in evaluating our executives' compensation.

The following table presents our significant expense categories included in our reported measure of segment profitability for the periods represented (in thousands):

	Year Ended December 31,		
	2025	2024	2023
Total revenue	476,200	420,400	396,293
Less:			
Direct product costs	223,967	199,791	198,008
Direct non-product costs	51,214	43,249	35,871
Gross margin	201,019	177,360	162,414
Personnel costs	60,942	50,979	40,709
Sales and marketing costs	15,253	15,249	11,226
Facility expenses	11,712	9,908	7,776
Depreciation and amortization	11,144	9,585	7,726
Travel and entertainment	8,921	9,198	7,056
Information technology	6,546	5,599	4,174
Professional fees	7,400	5,086	5,313
Shipping	5,082	4,830	4,611
Other	11,370	7,779	6,851
Income from operations	62,649	59,147	66,972
Interest expense	83	996	1,248
Income tax expense	12,472	11,289	13,231
Foreign currency exchange (gain)/loss	(1,495)	1,373	(307)
Net income	<u>\$ 51,589</u>	<u>\$ 45,489</u>	<u>\$ 52,800</u>

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

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, 2025.

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 management excluded from its assessment of effectiveness of the Company’s internal control over financial reporting the internal controls of our majority-owned subsidiary, XPEL New Materials Technology Shanghai Limited, which we formed in September, 2025 for the purpose of assuming the assets acquired from of our China distributor and conducting business in China. We have included the financial results of this subsidiary in the consolidated financial statements from the date of acquisition. Total assets and total revenues related to this entity that were excluded from our assessment of internal control over financial reporting represented approximately 17.5% and 3.7% of our consolidated total assets and total revenue as of and for the year ended December 31, 2025, respectively. Our management will include the internal controls of these entities in its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2026.

Our internal control over financial reporting as of December 31, 2025 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, 2025, 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, 2025, 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, 2025, of the Company and our report dated February 27, 2026, expressed an unqualified opinion on those financial statements.

As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal controls over financial reporting at XPEL New Materials Technology Shanghai Limited, which was formed to assume the assets acquired on September 9, 2025 from the Company's China distributor and to conduct business in China, and whose financial statements constitute approximately 17.5% of total assets and 3.7% of revenue of the consolidated financial statement amounts as of and for the year ended December 31, 2025. Accordingly, our audit did not include the internal control over financial reporting at XPEL New Materials Technology Shanghai Limited.

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 27, 2026

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 2025 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 2026 Proxy Statement to be filed with the SEC within 120 days after December 31, 2025, 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 - 2023" under the heading "Directors" in the

Company's 2026 Proxy Statement to be filed with the SEC within 120 days after December 31, 2025, 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 2026 Proxy Statement to be filed with the SEC within 120 days after December 31, 2025, 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 2026 Proxy Statement to be filed with the SEC within 120 days after December 31, 2025, 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 2026 Proxy Statement to be filed with the SEC within 120 days after December 31, 2025, 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 October 31, 2023	8-K	3.1	11/01/2023
3.5	First Amendment dated as of October 28, 2025, to Amended and Restated Bylaws of the Company, effective as of October 21, 2023	8-K	3.1	11/04/2025
3.6	Second Amendment dated as of February 19, 2026, to Amended and Restated Bylaws of the Company, effective as of October 21, 2023	8-K	3.1	02/25/2026
4.1*	Description of Securities of the Registrant			
10.1	Credit Agreement Dated April 6, 2023	8-K	10.1	04/06/2023
10.1(a)	First Amendment dated as of September 11, 2025 to the Credit Agreement dated as of April 6, 2023, by and among XPEL, Inc., Wells Fargo Bank, N.A., as Administrative Agent, and other lenders party hereto	10-Q	10.1	11/07/2025
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+	XPEL, Inc. 2020 Equity Incentive Plan, as amended on May 24, 2023	10-K	10.4	02/28/2024
10.4+	Form of Restricted Stock Unit Agreement	10-Q	10.1	08/09/2021
10.5+	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	10-K	19.1	02/28/2024
99.1	Amendment No. 1 dated as of February 19, 2026, to XPEL, Inc. Second Amended and Restated Insider Trading Policy, effective as of May 24, 2023	8-K	99.1	02/25/2026
21.1*	Subsidiaries of the Company			
23.1*	Consent of Deloitte & Touche, LLP			
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.	10-K	97.1	02/28/2024
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

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 27, 2026

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 27, 2026
<u>/s/ Barry R. Wood</u> Barry R. Wood	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2026
<u>*</u> Stacy L. Bogart	Director	February 27, 2026
<u>*</u> Richard K. Crumly	Director	February 27, 2026
<u>*</u> Michael A. Klonne	Director	February 27, 2026
<u>*</u> John F. North	Director	February 27, 2026

*By: /s/ Barry R. Wood
Barry R. Wood
Attorney-in-fact