XPEL INC. (XPEL US)

Professional Equity Valuation Report

Discounted Cash Flow & Guideline Public Company Method

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KEY INVESTMENT SUMMARY

Current Price: \$47.80 **Market Cap:** \$1.32 billion **Enterprise Value:** \$$\sim 1.29billion$

DCF Implied Value:\$$54.30(GordonGrowth)$ | \$$65+(ExitMultiple)$ **GPCM Cross-Check:**\$58

Blended Target Price:\$59.00 **Upside to Target:+23.4%**

RECOMMENDATION: BUY

1 Executive Summary & Investment Thesis

XPEL Inc. is the clear leader in the fast-growing automotive paint protection film (PPF) and premium window film segment. The company has built a powerful moat through brand dominance among professional installers, a dense certified installer network, and high switching costs driven by training, warranty programs, and product performance.

Key Investment Highlights

- **Proven Growth Engine:** Revenue CAGR of ~24% from FY2019–2025, with FY2025 growth rebounding to +13.3% after the FY2024 slowdown.
- **Structural Margin Expansion:** Gross margins expanded from ~34% in FY2020 to 42.2% in FY2025 through favorable mix shift toward higher-value PPF and operating leverage.
- **Exceptional Cash Generation:** FY2025 free cash flow of \$63 million on ~\$76–83 million EBITDA, with low capital intensity and efficient working capital management.
- **Attractive Valuation:** Trading at only 2.5× forward revenue and ~25× forward EPS (vs. 1.5–2.5× revenue and 8–14× EBITDA for broader specialty auto-parts peers) despite 10%+ expected growth and best-in-class margins in its niche.

Our base-case 5-year DCF (WACC 9.0%, terminal growth 3.5%) implies a fair value of \$55.70 per share. Applying a conservative 15× exit multiple to Year-5 EBITDA produces values above \$65. The GPCM cross-check, adjusted for XPEL's growth and moat premium versus broader auto-parts peers, supports approximately \$58. We blend these approaches to a **\$60.00 target price (+25.5% upside)** and initiate coverage with a **BUY** rating.

The current valuation does not fully reflect XPEL's durable competitive advantages or the multi-year runway for share gains in a still-under-penetrated global PPF market.

2 Company Overview & Competitive Position

XPEL designs, manufactures, and distributes premium automotive paint protection film, window tint, and ceramic coating products. Its flagship PPF products (notably Ultimate Plus) offer self-healing, stain-resistant, and optically clear protection that extends vehicle paint life and enhances resale value.

Competitive Moat

- **Brand & Installer Ecosystem:** XPEL is the preferred choice of high-end detailers and dealerships. Installers undergo rigorous certification; switching costs are material because of training investment, warranty support infrastructure, and proven field performance.
- **Network Effects:** A dense global installer base improves the end-customer experience (warranty claims, local service), reinforcing the brand.
- **Product Performance & IP:** Superior film technology, proprietary adhesives, and continuous R&D create a measurable performance gap versus mass-market alternatives.

Total Addressable Market remains substantial. Global demand for premium vehicle protection is rising with higher average transaction prices on new vehicles, growing EV adoption (paint protection is especially valued), and increasing consumer focus on customization and resale value. XPEL holds a leading but still minority share in the U.S. professional channel and has meaningful international expansion runway in Europe and Asia-Pacific.

3 Historical Financial Performance

XPEL has delivered consistent top-line growth and improving profitability while maintaining a strong balance sheet.

Metric (USD millions)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	158.9	259.3	324.0	396.3	420.4	476.2
YoY Growth	+22.3%	+63.1%	+25.0%	+22.3%	+6.1%	+13.3%
Gross Profit	54.0	92.7	127.5	162.4	177.4	201.0
Gross Margin	34.0%	35.7%	39.4%	41.0%	42.2%	42.2%
Adj. EBITDA	25.6	44.5	61.8	76.6	70.8	82.8
EBITDA Margin	16.1%	17.2%	19.1%	19.3%	16.8%	17.4%
Free Cash Flow	16.7	11.5	4.1	31.0	41.1	62.9

Key Observations

- Revenue growth has moderated from the pandemic-era surge but remains well above industry averages (˜3–5% for traditional auto parts).
- Gross margin expansion of nearly 800 basis points since FY2020 reflects mix improvement (higher PPF attachment) and pricing power.
- FCF conversion strengthened materially in FY2024–2025 as working capital normalized and capex remained disciplined.
- Balance sheet is pristine: net cash position, modest leverage capacity, and ample liquidity for organic growth and tuck-in M&A.

4 Valuation Framework & Key Assumptions

We employ a 5-year explicit DCF as the primary methodology, cross-checked with a GPCM analysis. All assumptions are grounded in historical trends, management guidance, and conservative forward estimates.

Weighted Average Cost of Capital (WACC)

- Risk-free rate: 4.39% (current 10-year U.S. Treasury)
- Equity beta: 1.20 (5-year historical, consistent with external consensus)
- Equity risk premium: 4.40% (Damodaran mature-market estimate, Jan 2026)
- Cost of equity: 9.67%
- After-tax cost of debt: ˜4.4% (minimal debt, strong credit profile)
- Target capital structure: 8% debt / 92% equity (conservative; XPEL is currently net cash)
- **WACC: 9.0%**

Revenue & Margin Projections

- FY2026: $526M (+10.5%, per provided estimates)
- FY2027: $589M (+12%)
- FY2028–2030: 10% / 9% / 8% tapering growth (reflecting market maturation while still above long-term industry rates)
- Terminal growth rate: 3.0% (conservative relative to nominal GDP + pricing power in premium niche)
- Gross margin: 42.5% $\rightarrow$ 44.5% (continued modest expansion from mix and scale)
- EBITDA margin: 17.5% $\rightarrow$ 19.5% (operating leverage partially offset by growth investments)
- Capex: rises to ˜4% of revenue (capacity expansion) then stabilizes
- ΔNWC: ˜4% of incremental revenue (efficient historical working-capital management)

5 DCF Valuation Results

Free Cash Flow Summary (USD millions)

	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Revenue	526	589	648	707	764
YoY Growth	+10.5%	+12.0%	+10.0%	+9.0%	+8.0%
EBITDA	92	106	120	134	149
EBITDA Margin	17.5%	18.0%	18.5%	19.0%	19.5%
Free Cash Flow (approx.)	58	68	78	88	98
FCF / Revenue	11.0%	11.5%	12.0%	12.4%	12.8%

Mid-year discounting at 9.0% WACC produces a present value of explicit-period FCF of approximately $310 million. Terminal value under the Gordon Growth method (Year-6 FCF of $101.5 million growing at 3.0%) equals ˜$1,780 million; its present value is ˜$1,160 million (˜80% of enterprise value, typical for a growth company).

Enterprise Value Bridge

- PV of explicit FCF: $310M
- PV of Terminal Value (Gordon): $1,160M
- **Total Enterprise Value: $1,470M**
- Less: Net Debt (actually net cash +$28M adjustment)
- **Equity Value: $1,498M**
- Shares outstanding: 27.6 million
- **Implied Value per Share: $54.30**

Using a 15× exit multiple on FY2030 EBITDA instead of perpetual growth yields a higher terminal value and an implied share price above $65. We view the Gordon Growth case as appropriately conservative. (We primarily use the Gordon Growth method for the base-case terminal value as it is fundamentals-driven; the exit multiple serves as a sensitivity cross-check to reflect potential sustained market multiples.)

Sensitivity Analysis (Gordon Growth framework)

	Terminal Growth Rate			
WACC	3.0%	3.5%	4.0%	4.5%
8.5%	$62	$66	$71	$76
9.0%	$53	**$55.70**	$59	$63
9.5%	$45	$48	$51	$54

A ±50 bps move in WACC or terminal growth shifts value by roughly $8–12 per share — material but not destabilizing.

6 GPCM Cross-Check

Pure-play public comparables in the PPF/window-film niche are scarce. XPEL trades at 2.71× LTM revenue and ˜17× EBITDA. Broader specialty auto-parts and performance-materials peers generally trade in the 1.5–2.5× revenue and 8–14× EBITDA range.

Applying a 3.0× forward-revenue multiple (modest premium justified by XPEL's superior growth, margins, and moat) to the FY2026 revenue estimate of $526 million produces an enterprise value of ˜$1.58 billion and an equity value of ˜$1.61 billion, or roughly $58 per share. This sits comfortably between our Gordon Growth and exit-multiple DCF outcomes and supports the blended $60 target.

7 Scenario Analysis

Bull Case ($72/share, 50% probability): Sustained 11–12% revenue CAGR through FY2030, gross margins reaching 45%+, EBITDA margins approaching 21%, and multiple re-rating as the company scales internationally. Achievable if PPF attachment rates continue rising and XPEL maintains share leadership.
Base Case ($60/share, 35% probability): The central scenario described above — 8–10% tapering growth, modest margin expansion, and 9.0% WACC.
Bear Case ($42/share, 15% probability): Growth slows to 4–5% as macro headwinds pressure auto sales and competition intensifies; margin expansion stalls; WACC rises modestly. Still implies only modest downside from current levels because the starting valuation is not demanding.

8 Key Risks & Catalysts

Primary Risks

- Cyclical exposure to new and used vehicle sales and consumer discretionary spending.
- Raw-material (film) cost inflation or supply disruptions.
- Competitive response from LLumar, SunTek, or 3M that erodes pricing or share.
- Execution risk on international expansion and new product introductions (ceramic coatings, etc.).
- Potential for elevated capex or working-capital investment if growth accelerates faster than modeled.

Catalysts

- Stronger-than-expected Q1/Q2 2026 results confirming re-acceleration.
- New OEM or large dealership program wins.
- Margin beat from operating leverage or favorable mix.
- Accretive tuck-in acquisitions or share buybacks funded by strong FCF.
- Analyst/investor re-rating as the growth + FCF story becomes more visible.

9 Insider Trading Activity & Signaling

Insider transaction data provides an important governance and signaling overlay to the fundamental valuation. We analyzed all reported open-market and compensation-related transactions from 2020 through early 2026.

Hard Data Summary

- **Since 2020:** Total insider selling ˜$345.3 million vs. total buying ˜$222.6 thousand — a ratio of approximately **1,550**× more selling than buying.
- **Last 3 years:** Insider selling ˜$21.0 million vs. buying ˜$96.5 thousand — a ratio of approximately **217**× more selling than buying.

Major Selling Cluster: April–August 2023 (Most Significant Signal) This period featured repeated, systematic discretionary selling near historical highs ($70–$85 range) by multiple insiders:

- **Director Richard Crumly** (dominant seller) executed 17 separate sales between April 21 and June 26, 2023, totaling well over $12 million (individual trades ranged from 5,100 to 10,000 shares at prices between $70.04 and $79.51).
- Other notable sales in the same window included Director Mark Adams ($1.49 million on May 18) and Director Mike Klonne ($738 thousand on May 16).
- **CEO Ryan Pape** sold 8,000 shares at $83.03 on August 21, 2023.
- **VP Mathieu Moreau** executed multiple 5,000-share blocks in late August at $83–$85.

This cluster represents textbook "sell into strength" behavior by multiple insiders over several months.

Secondary Wave: November–December 2024

- **CEO Ryan Pape** sold 53,544 shares across three transactions for approximately $2.39 million ($42.64–$46.34 range).
- Supporting sales by Director Klonne ($215 thousand) and CFO Barry Wood ($86 thousand) occurred within the same two-week window.

Only Notable Open-Market Purchase The sole meaningful open-market insider purchase in the entire multi-year period was a single $96,510 buy (3,000 shares at $32.17) by Director John North on May 8, 2024.

2025–2026 Activity Transactions in this period have been almost exclusively non-discretionary:

- Option exercises, tax withholding on vesting, and RSU conversions (compensation-related, zero cash outlay by insiders).
- No material open-market selling or buying has been reported.

Behavioral Interpretation

- Insiders aggressively reduced exposure during periods of strength (especially the 2023 peak and to a lesser extent late 2024).
- Buying conviction has been extremely weak (only one small purchase in years).
- The 2023 cluster was structured and spread over months, not panic-driven.
- Current regime (2025–early 2026) shows virtually no discretionary open-market activity, suggesting the heavy distribution phase has largely concluded.

Implication for Valuation The data does **not** signal imminent collapse or panic. Nor does it signal strong undervaluation or high-conviction buying. The most accurate reading is that insiders monetized aggressively while valuations were elevated and have since become largely neutral. This is consistent with our base-case $60 target and removes a potential historical overhang without contradicting the quality-growth thesis.

10 Conclusion & Rating

XPEL combines a durable competitive moat, above-average growth prospects in an under-penetrated niche, and best-in-class cash-flow characteristics. At 2.5× forward revenue the stock offers an attractive entry point for long-term investors. Our blended DCF + GPCM analysis supports a **$60.00 target price** and a **BUY** rating.

We recommend accumulating positions on any near-term weakness ahead of the May 2026 earnings release.

This document follows professional equity-research and arXiv-style preprint conventions for clarity and auditability. Compiled with `pdflatex` *(TeX Live 2023).*