

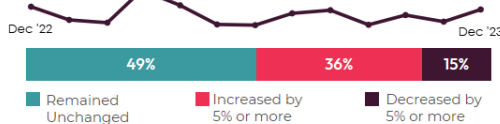
SOLID CLOSEOUT TO SOLID— THOUGH COMPLEX—YEAR

AVIXA®, the Audiovisual and Integrated Experience Association, has published the monthly Pro AV Business Index since September 2016, gauging sales and employment indicators for the pro AV industry. The index is calculated from a monthly survey that tracks trends. Two diffusion indexes are created using the survey: the AV Sales Index (AVI-S) and AV Employment Index (AVI-E). The diffusion indexes are calculated based on the positive response frequency from those who indicated their business had a 5% or more increase in billings/sales from the prior month plus half of the neutral response. An index of 50 indicates firms saw no increase or decline in business activity; more than 50 indicates an increase, while less than 50 indicates a decrease.

SALES INDEX

DECEMBER 2023

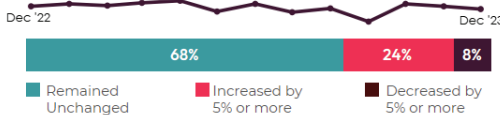
60.4



EMPLOYMENT INDEX

DECEMBER 2023

57.8



“Numerous installations continue to be delayed for lack of equipment – particularly control and signal distribution. We continue to expend extra labor on partial installs to keep customers as happy as we can. This adversely impacts both labor efficiency, schedule, and profitability.”

– INTEGRATOR, NORTH AMERICA

HIGHLIGHTS:

- The Pro AV Sales Index (AVI-S) lifted 3.5 points to close out 2023 with a score of 60.4. This is roughly the same as the 61.2 of December 2022. 2023 was a year of slower growth than 2022—more on this in the next bullet—so it’s nice to see an uptick at the end of the year. 2024 will pose plenty of challenges, but we expect similar performance to 2023 in terms of the AVI-S. Respondent comments were widely varied. Seasonal trends were common and double-edged: On the negative side, December is the quiet season (especially for live events). On the positive side, December is a busy season for others, especially end users with year-end budget cycles. Supply chains and hiring difficulties continue to plague some users, though these issues have waned since their peak in 2022. For supply, things are overall better. For hiring, the difficulty level is probably similar, but the impact is smaller because fewer businesses are hiring.
- There are two ways to review 2023 in the AV index: average level across all 12 months and our year-end net question (the same as the monthly index question, except comparing the past two years rather than the past two months). We prefer the latter since it is a net measurement, while the averaging approach can miss scale (i.e., nine months of 5% increase and three months of 20% increase look positive in an average but are negative on net). Still, we report both here. And both tell a story of a solid year that was not as good as 2022. For the monthly average, the index was at 58.8. This is the lowest year other than 2020, though it is not too far out of line from past non-pandemic years. For our preferred year-on-year net, the index was 67.1. This is meaningfully lower than the 2022 number of 72.5 and in line with the 2021 number of 67.9. Together, this data tells a story of a positive but unspectacular year for pro AV. When you add the context of how we entered the year and the level of

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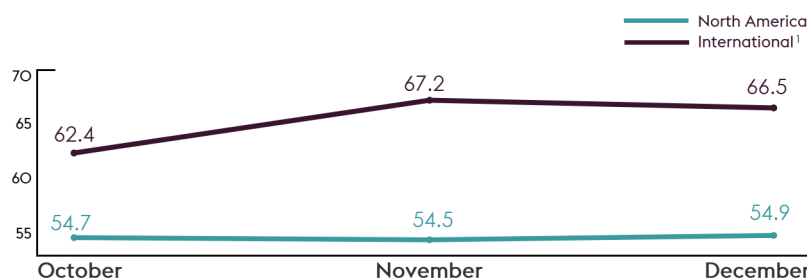
HIGHLIGHTS: *(continued)*

macroeconomic/recession fear, this solid outcome is something to be celebrated.

- Now for a caveat: Not all levels of the pro AV industry experienced the same growth. AVIXA's market intelligence, including this index and other research efforts such as our market-sizing IOTA and end user perspective exploration MOAR, focuses on final spending by end users. Normally, this is just simply the right way to total revenue. This year, the legacy of 2022 supply chain issues created separation in revenue for different levels. For end users and integrators, the numbers here in the index are accurate (or as accurate as possible, at least). For manufacturers, reality is likely less positive than the AVI-S. The cause is delayed projects. A slice of 2023 end user spending/integrator revenue was payment for projects that were waiting on final parts for completion. Manufacturers already had their revenue from when the products were purchased, but much of the money didn't pass from end user to integrator until the the project installation was finalized after the last equipment arrived. So on the manufacturer side, 2023 revenue growth was more challenged. Distributors were likely in the middle, faring better than manufacturers but not as well as integrators. Note that this is partially a product of 2022 being an extra good year for manufacturers and distributors as compared to integrators.
- Though the AVI-S accelerated, the AV Employment Index (AVI-E) stayed essentially flat, moving from 58.6 in November to 57.8 in December. This is right in line with its year-long average of 58.2. While the yearly average of the AVI-E is lower than that of the AVI-S, it should be seen as a net positive performance. Aside from 2020 (which saw contraction), the more volatile AVI-S has outperformed the AVI-E by an average of 2.1 per year. That makes the 0.54 gap observed in 2023 a positive for the AVI-E. This perfectly aligns with the wider economy, where the labor market is shown as a bright spot amidst more mediocre results from other metrics such as GDP.

INTERNATIONAL OUTLOOK

Last month, we reported "strong expectations" December would show a smaller gap between North America and the rest of the world than November. Well, pop the confetti, because we nailed that prediction! ...Sort of. Our initial reading for December shows an 11.6-point advantage for the rest of the world (66.5 vs 54.9), which is smaller than the 12.7 point gap observed in the newly finalized reading for November (67.2 vs 54.5).² That said, the initial reading for the November gap was 10.4, which is lower than the gap for the initial reading for December. In short, the rest of the world continues to show remarkable resilience! We remain confident of long-term convergence between the two regions, but it seems likely a significant gap will persist for some time.



Global regional indexes are three-month moving averages (based on prior, forward and current months) due to relative small ample size.

“ Finding and retaining qualified, experienced staff is still the largest issue, with the 2nd largest ‘elephant in the room’ – keeping our people current on the newest things – close behind.”

– INTEGRATOR, NORTH AMERICA

¹ International regions include Europe, Latin America, Middle East/Africa, Asia-Pacific

² Due to the small sample, the North American and International indexes are based on a 3-month moving average. December 2023 index is preliminary, based on the average of November 2023 and December 2023 and will be final with January 2024 data in the next report.

METHODOLOGY

The survey behind the AVIXA Pro AV Business Index was fielded to 2,000 members of the AVIXA Insights Community as well as many members of the ISE mailing list between December 21, 2023, and January 5, 2024. A total of 295 AV professionals completed the survey. Only respondents who are service providers and said they were “moderately” to “extremely” familiar with their company’s business conditions were factored in index calculations. The AV Sales and AV Employment Indexes are computed as diffusion indexes. The monthly score is calculated as the percentage of firms reporting a significant increase plus half the percentage of firms reporting no change. Comparisons are always made to the previous month. Diffusion indexes, typically centered at a score of 50, are used frequently to measure change in economic activity. If an equal share of firms reports an increase as reports a decrease, the score for that month will be 50. A score higher than 50 indicates that firms, in the aggregate, are reporting an increase in activity that month compared to the previous month. In contrast, a score lower than 50 is a decrease in activity.

“End of year means increased AV spend as everyone tries to use every last drop of the year’s budget. Beginning of year means shiny, fresh NEW budget to spend. Both ends of the spectrum result in more AV spend than at other points of the year.”

- END USER, NORTH AMERICA

ABOUT THE AVIXA INSIGHTS COMMUNITY

The AVIXA AV Intelligence Panel (AVIP) is now part of AVIXA’s Insights Community, a research group of industry volunteers willing to share their insights on a regular basis to create actionable information. Members of the community are asked to participate in a short, two-to-three-minute monthly survey designed to gauge business sentiment and trends in the AV industry. Community members will also have the opportunity to participate in discussions, polls and surveys.

Community members will be eligible to:

- Earn points toward online gift cards
- Receive free copies of selected market research
- Engage directly with AVIXA’s market intelligence team to help guide research
- Ask and answer other industry professionals’ questions

The Insights Community is designed to be a global group, representative of the entire commercial AV value chain. AVIXA invites AV integrators, consultants, manufacturers, distributors, resellers, live events professionals, and AV technology managers to get involved. If you would like to join the community, enjoy benefits, and share your insights with the AV industry, please apply at avip.avixa.org.