

Pro-AV Business Index

Released January 2018

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 tracking trends. Two diffusion indexes are created using this data, the AV Sales Index and AV Employment Index. The diffusion index is calculated based on the positive response frequency from those who indicated their business had 5 percent or more increases 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 the business activity; an index over 50 indicates an increase, while an index under 50 indicates a decline).

Pro-AV Business Expansion Carries On During the Holidays

While the holiday season and year-end provided a sales/billing leveling effect for some pro-AV firms, the majority continues to expect business expansion into 2018. Project volumes remain high, boosting revenues. Meanwhile, the effect of the tax reform, with lowering the corporate rate starting with the 2018 tax year, remains muted thus far. Regardless, the 2017 December Pro-AV Sales Index remains in strong

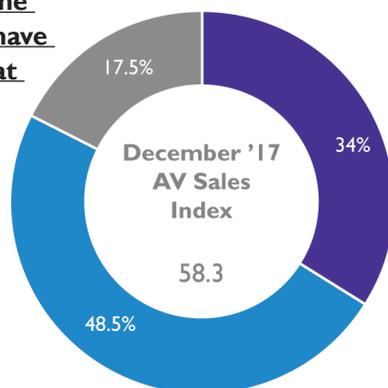
growth territory at 58.3, giving up just one point from the previous month. The index is also tracking slightly behind December of 2016, when it was at 61.

“Most of our big projects ended in November so typical slower year-end billings. Our 2018 Q1 already has a number of contracts in process or promised, which is an encouraging start at this point.”

– AV Systems Integrator, North America

Compared with the previous month, have the billings/sales at your location...

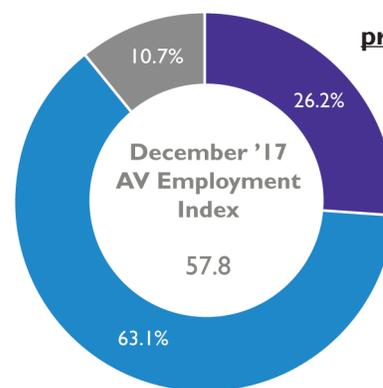
N-110



- Sales increased significantly (5% or more)
- Sales remained unchanged
- Sales decreased significantly (5% or more)

Compared with the previous month, is the overall employment at your location...

N-124



- Employment increased significantly (5% or more)
- Employment remained unchanged
- Employment decreased significantly (5% or more)

December's Pro-AV Employment Index also dropped slightly to 57.8 from 58.6 but remains consistent with where it was a year ago and still indicates overall positive employment outlook. This is despite an unemployment rate that remains historically low at 4.1 percent and a record number of available jobs, causing some companies to face challenges finding skilled labor.

"The growth in student body is increasing our audiovisual installation needs. The positive and strong economy has put more demand on AV services and installations. There does seem to be a shortage of skilled AV professionals as we look for qualified staffing to support this growth."

– End User, North America

"Our business and the economy continues to grow and is great for my company. We need to find qualified employees that can hit the ground running to take advantage of all the job opportunities out there."

– AV Systems Integrator, North America

Industry Conditions for Next Six Months

When looking at revenue for the next six months, half the panel members are positive while just over a third remain neutral. Panel members expect the workforce to remain stable or expand, with more than 9 in 10 indicating positive or neutral readings for the next six months.

How would you assess the AV workforce conditions for your organization in the next 6 months?

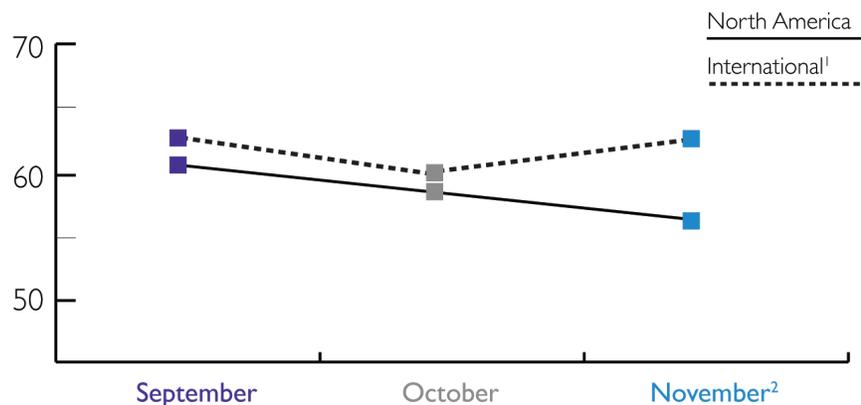


How would you assess your revenue/turnover conditions for your organization in the next 6 months?



International Outlook

The December International and North American preliminary² Pro-AV Sales Indexes remain in a growth period with the overall global economy. The December North American Pro-AV Sales Index dropped slightly to 56.5 and the International Pro-AV Sale Index remains stable at 63.1.



¹ Global 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 2017 index is preliminary, based on the average of November 2017 and December 2017 and will be final with January 2018 data in the next report.

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

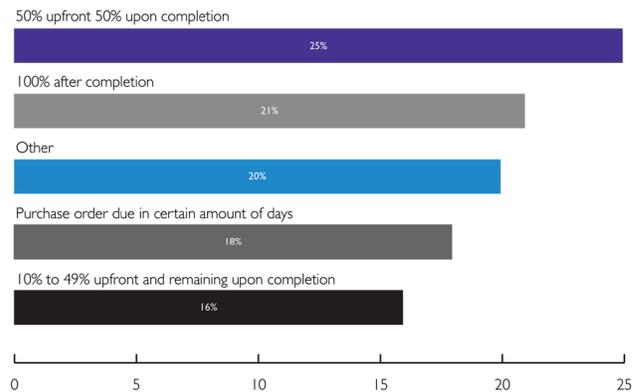
Managing Client Billing

Does the AV industry have a standard way of handling client invoicing and payment?

Sixty-four percent of respondents' projects are billed at project fixed cost, while a quarter is charged on an hourly basis with only a handful of companies (5 percent) keeping clients on a retainer in this sector as classrooms move into an upgrade cycle.

When it comes to receiving payment, companies vary on whether they collect money up front or receive the full payment after the project is delivered. Forty-one percent collect some partial payment before the work begins while 21 percent collect the full payment after completion of the project. While most companies use a customary method of invoicing a client, this may change with the size or duration of the project, the relationship with the client, or the type and location of the project. With repeat clients, companies are more confident to collect the full payment after project completion.

Typical Project Billing Method Used



“Our method for billing depends upon the project. Most architect-lead design/bid-build projects are billed as a percentage toward completion, per phase, while other projects may be time and materials.”

– AV Service Provider, North America

“If it is a long project, additional deposits may be required at the completion of various phases. If the client is a customer that has historically paid on time, then there may be flexibility in deposit terms.”

– AV Service Provider, North America

Pro-AV Business Index 2017, Historical Data (Previous 3 Months)

	October 2017	November 2017	December 2017
Pro-AV Sales Index*	59.7	59.6	58.3
Pro-AV Employment Index*	62.3	58.6	57.8

** For more data starting September 2016, please see past reports or join the panel to get the monthly report and data emailed to you directly.*

Methodology

The survey behind the AVIXA Pro-AV Business Index was fielded to 697 members of the AVIXA AV Intelligence Panel (AVIP) between Dec. 27 and Jan. 5, 2018. A total of 170 AVIP members completed the survey. Only respondents who are service providers and said they were “moderately” to “extremely” familiar with their companies’ business conditions were factored in Index calculations. The AV Sales and AV Employment Indexes are computed as a diffusion index, with the monthly score 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 above 50 indicates that firms in aggregate are reporting an increase in activity that month compared to the previous month, while a score below 50 indicates a decrease in activity. Any score above 50 indicates an increase in sales/billings.

About the AVIXA AV Intelligence Panel

The AVIXA AV Intelligence Panel (AVIP) is a research community of industry volunteers willing to share their insights on a regular basis to create actionable information. Members of the panel are asked to participate in a short, two-to-three-minute monthly survey designed to gauge business sentiment and trends in the AV industry. Surveys may be taken via your phone or computer.

In return for their time and effort, AVIXA AV Intelligence Panel members will be eligible to:

- Earn points toward Amazon online gift cards
- Preview the survey results prior to public release
- Include select questions of their own in panel surveys

The AVIXA AV Intelligence Panel is designed to be a global community, 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 panel, enjoy benefits, and share your insights with the AV industry, please apply at avixa.org/insight/marketintel/AVIP.