

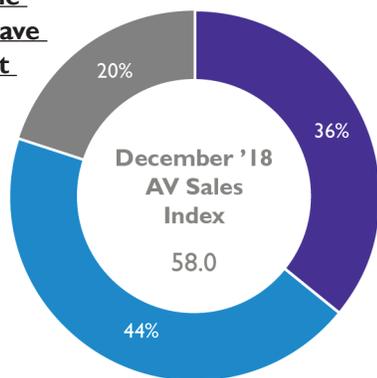
Pro-AV Business Index

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 (AVI-S) and AV Employment Index (AVI-E). 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.

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

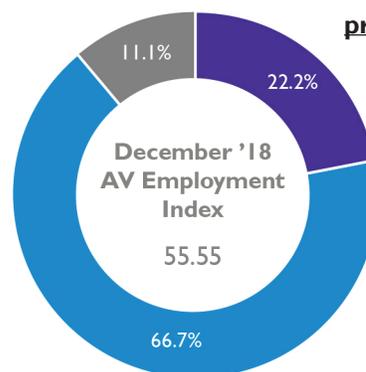
N-100



- 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-99



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

Highlights:

- The AV Sales Index (AVI-S) measured 58 this December. This figure indicates sales were higher than in November, but growth proceeded at a slower rate. In comparison with a year ago, growth is at the same pace, which is typically slower in the holiday season and winter months. More than a few commenters suggested their lower numbers were seasonal and not reflective of meaningful weakness.
- Comparing 2018 to 2017, most respondents told us their business grew at least 5 percent against just 9.6 percent saying their business decreased at least 5 percent. Using these categorizations, a rough back-of-the-envelope calculation suggests industry revenues may have increased by around 2.2 percent (though this is likely an underestimate).
- Equity markets experienced a bad month in December, as the S&P 500 dropped 9.2 percent. Both domestic and international markets contracted in 2018, with U.S. markets down

over 6 percent and international markets down over 15 percent. This contraction could limit businesses' ability to make capital investments and lead to lower pro-AV spending as a result. We will tackle the relationship between contraction and pro AV in much more depth in AVIXA's Q1 Macroeconomic Trends Analysis (META), which will be published in mid-February.

- December saw an exceptionally strong jobs report. Some 312,000 jobs were added, well beyond the expectations of 176,000. In addition, both November and October jobs numbers were revised up by a combined total of 58,000 jobs. Despite the proliferation of jobs, the unemployment rate increased 0.2 percentage points to 3.9 percent. Counterintuitively, this increase is a positive sign, as it is caused by workers optimistically entering the labor force and searching for new jobs. AVIXA's AV Employment Index (AVI-E) told a slightly different story. The AVI-E did show month-to-month growth, but at a slower rate than any other month in 2018. In comparison to December 2017, it was 2.2 percentage points lower. Based on respondent commentary, scarcity of qualified workers is a major contributor to the lack of increased staff size.

- The U.S. government is in its third week of a partial shutdown. While the effect so far has largely been limited to the 800,000 workers on the job without a paycheck, much more substantial reverberations could be around the corner. Air transit employees, both security and air traffic controllers, are among the most disgruntled workers. Businesses could face substantial supply issues if these individuals get fed up working without compensation.

“Winter months are typically slow but overall, AV sales are pretty strong.”

– AV Integrator, North America

“We will have a quiet couple of months, then we see revenues rising again.”

– AV Service Provider, Europe

“There is a great amount of uncertainty in the market now with the stock market, Trump’s trade wars, Mueller’s investigation, Putin, Brexit, greatly extended bull market, government shutdown ...”

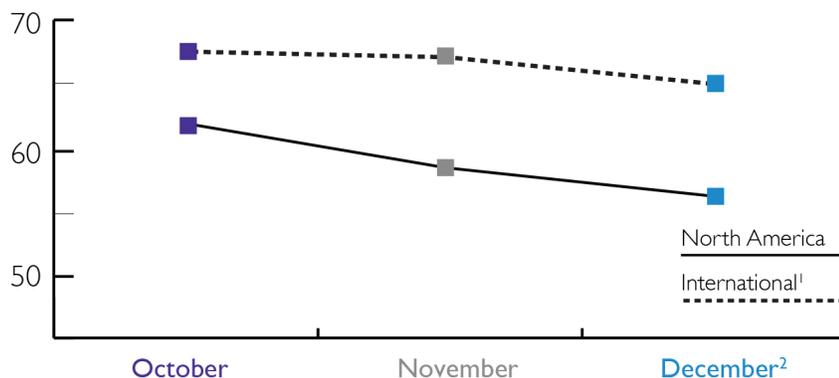
– AV Integrator, North America

“Still very hard to recruit experienced technical staff. Business conditions continue to be good.”

– AV Integrator, APAC

International Outlook

The December regional preliminary² Pro-AV Sales Index indicates that growth continued around the world. Both International and North American indexes ticked down slightly, perpetuating the gap between stronger global conditions and weaker North American growth.



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 2018 index is preliminary, based on the average of November 2018 and December 2018 and will be final with January 2019 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.

Methodology

The survey behind the AVIXA Pro-AV Business Index was fielded to 674 members of the AVIXA AV Intelligence Panel (AVIP), December 27, 2018 – January 6, 2019. 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
- 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.