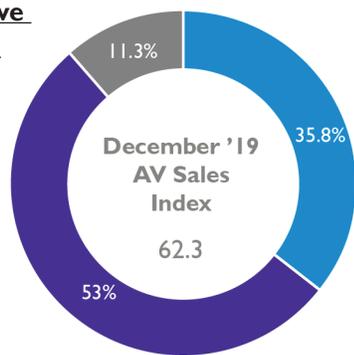


AV Grows as Decade Dawns and Brexit Looms

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 data, 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 5 percent 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 the business activity; an index of more than 50 indicates an increase, while an index less than 50 indicates a decline.

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

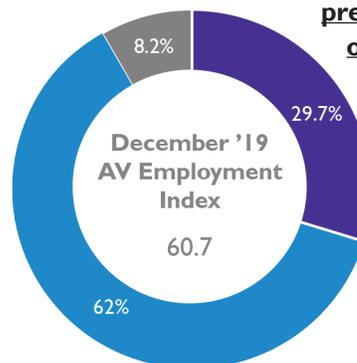
N-151



- 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-158



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

Highlights:

- The pace of AV sales growth increased for the fourth straight month, as the December AV sales index (AVI-S) clocked in at 62.3. 2019 was a remarkably steady year of growth, as the slowest month was September at 59.5 and the fastest was August at 63.9. The average for the year worked out to 61.6, which was lower than the 63.5 average in 2018. However, 2018 was less consistent, as it had a lower minimum month than 2019 in addition to a

higher maximum month. With both years well above the no-growth mark of 50, it's a good time to take a moment and be grateful for the business environment the AV world has experienced in recent times.

- The economic headliner as we enter January is that Brexit has a real chance of finally happening this month. Boris Johnson's Conservative Party won a decisive victory in the December election, giving

him the substantial majority he needs to pass a moderate Brexit deal through parliament without the support of the hardliners within his party. Brexit will happen, but trade uncertainty will linger. Once Brexit actually happens and the United Kingdom leaves the European Union, an 11-month transition period will begin, during which the UK-EU trading relationship will remain the same, and the two sides will negotiate a new deal. If an agreement cannot be reached by the deadline of Dec. 31, 2020, then the UK and EU will have to trade with no agreement, a scenario akin to a no-deal Brexit.

- In addition to the transition period and trade negotiations, a second Brexit X-factor is Scotland. The Scottish National Party (SNP) made major gains in the December election in large part due to their strong opposition to Brexit. SNP leader Nicola Sturgeon has called for a referendum on Scottish membership in Great Britain, which Prime Minister Boris Johnson has said he would not allow. The course forward remains unclear, but a quick and easy resolution is an unlikely outcome. Brexit news is critical to follow because it has profound implications for global markets. Major trade barriers between the EU and the UK would disrupt global supply lines and shake international markets. Brexit uncertainty has proven a pain point for AV buyers over the past several years, making businesses hesitant to make capital investments.
- 2019 ended with an unemployment rate of

3.5 percent compared to 3.9 a year ago. Though unemployment was lower, wage growth was actually slower. This is a clear disappointment from most economic perspectives and a persistent puzzle for those who study the labor market. As our recent *Macroeconomic Trends Analysis* (META) report shows, this apparent contradiction is present in AV too, where businesses have preferred to relax hiring standards and spend more time searching rather than giving substantial raises. Meanwhile, our AV Employment Index (AVI-E) showed continued growth in December with a score of 60.7. This pace was essentially level with last month's mark of 61.7, and up from the December 2018 score of 55.6.

"Brexit uncertainty is hopefully behind us now and banking on 2020 business rising."

– End User, North America

"Seeing a strong Q1 coming, which is a change from historical patterns. Many projects are being awarded for Q1 implementation or being scheduled for Q1 award."

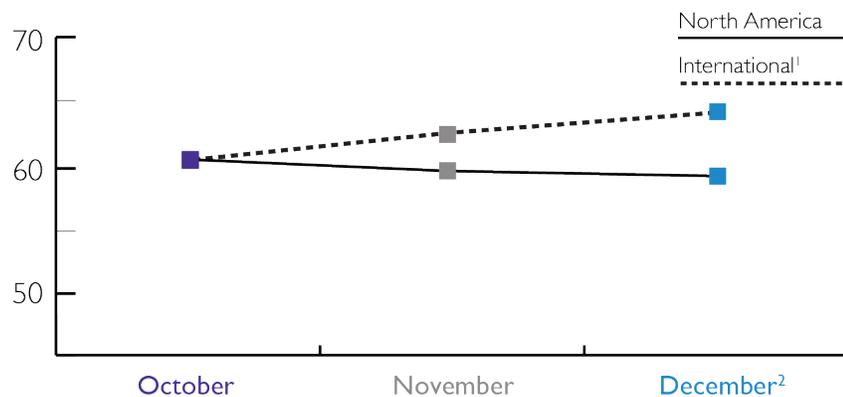
– AV Integrator, North America

"Increase on the video side of the business, videowalls, direct view LED, and control center applications have been on the rise."

– Distributor, North America

International Outlook

International growth clearly outpaced North America in the initial reading of our regional sales index.² At 64.0, the International market measured its fastest pace of growth in the year. North America had the fastest months of growth of both regions this year in the spring, as April and May measured 64.2 and 64.3, respectively. Throughout the year on the whole, the North American index averaged 61.6 while International averaged 60.3, so both regions both had years of steady if spectacular growth.



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 2019 index is preliminary, based on the average of November 2019 and December 2019 and will be final with January 2020 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 1,261 members of the AVIXA Insights Community, Dec. 19, 2019, to Jan. 2, 2020. A total of 263 Insights Community members 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, 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 higher than 50 indicates that firms in aggregate are reporting an increase in activity that month compared to the previous month, while a score lower than 50 indicates a decrease in activity. Any score higher than 50 indicates an increase in activity.

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.