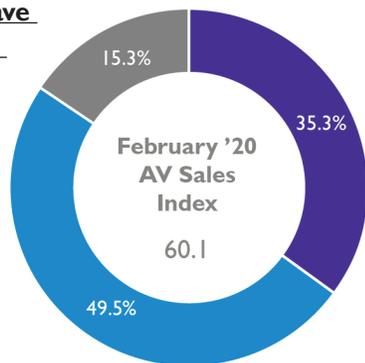


Coronavirus Shoe Yet to Drop for Pro AV

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...

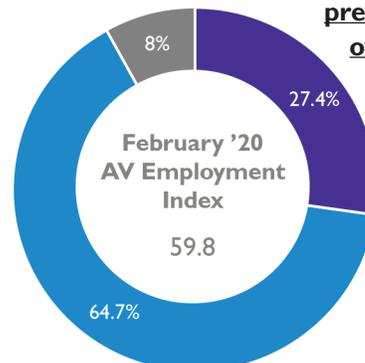
N-190



- 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-201



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

Highlights:

- In February, AV sales growth stayed roughly flat, sliding up just under a point to 60.1. This score is almost exactly the same as last year, when the index was at 60.3. The steady growth means that the economic shock from coronavirus hasn't hit yet. Commenters did mention the first signs of the impact, as supply issues began to crop up. As of the end of February though, the virus's impact hadn't yet hit demand too

hard. Unfortunately, that will likely begin to show next month.

- Coronavirus is the lead story in the wider economy right now. At the moment, the biggest impact — as it was for the U.S.-China trade war — is the uncertainty. Uncertainty is at historically high levels. One of the most popular measures for uncertainty is a U.S.-based volatility index that goes by the symbol VIX. That index

hadn't surpassed 31 since 2011. As of this writing, the index is in the mid-50s. To be clear, that's far lower than in the most recent recession, when VIX rose above 80. But "better than the Great Recession" is a low bar.

- For now, the AV community is concerned, but not panicking about the coronavirus. A poll to our Insights Community revealed that about 60 percent anticipate a somewhat negative effect on the AV industry, against 23 percent anticipating a very negative effect and 17 percent anticipating no negative effect. From an economic perspective, this moderate level of concern is justified. While the coronavirus is a hugely uncertain event, it has the potential to be addressed in the short term. It is not a fundamental flaw in the wider economy — unlike the housing bubble that triggered the last recession. For now, anticipating a somewhat negative effect is appropriate.
- The AV Employment Index (AVI-E) edged up 2.1 points in February to reach 59.8. This increasing pace of AV job growth was matched by an increase in the pace of overall U.S. job growth, as the employment report showed 273,000 new jobs added. This well exceeded expectations of about 175,000 jobs. In further good news, the January number was revised up from 225,000 to 273,000 as well. Against this optimism, it's worth noting that such employment numbers are a lagging indicator, as the decision cycle for businesses to add or eliminate jobs takes place over months rather than days or weeks.

"The coronavirus has been impacting items being shipped from China and even getting parts for the products as a whole from other countries it has spread to. Lead times for products coming back in stock are currently predicated out to mid-March and could be longer."

– Distributor, North America

"Start of new year has programs ramping up renovations, moves, and expansions, leading to more AV spending. Wildly understaffed AV team still struggling along, though due to some retirements in Nov Dec, there are job [listings] on the street. How soon those will be filled remains to be seen."

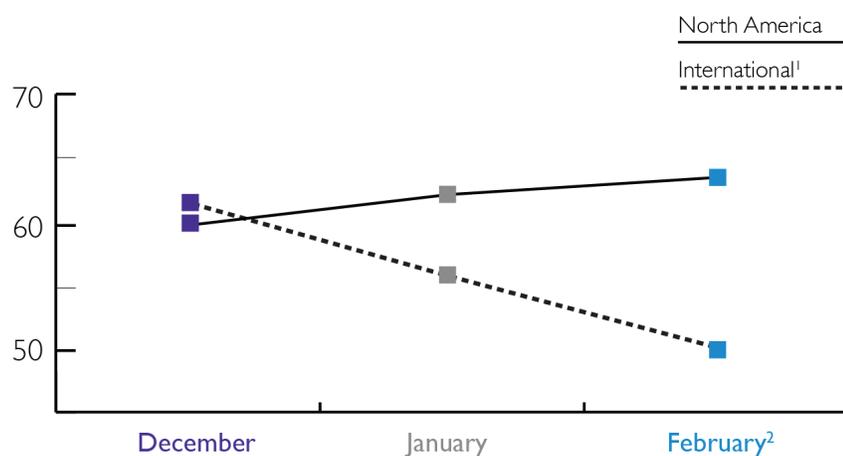
– End User, North America

"In this period, we are waiting to start some new installations. Some of these involve a few days of work outside our region. We therefore await developments of the coronavirus problem to understand when and how to move."

– AV Integrator, Europe

International Outlook

January and February have proven mediocre months for International growth thus far. To be clear, February's number is only preliminary, since we calculate moving averages to account for the smaller sample size. Perhaps after March's update, we'll be telling a different story, but for now it appears that International growth was only barely above zero.² On the bright side, North American growth appears strong and steady.



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. February 2020 index is preliminary, based on the average of January 2019 and February 2020 and will be final with March 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 1,600 members of the AVIXA Insights Community, Feb. 25, 2020, to March 4, 2020. A total of 369 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.