

Pro-AV Business Index

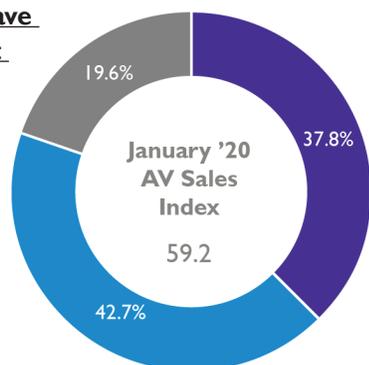
Released January 2020

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...

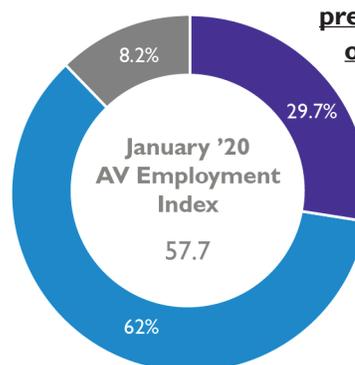
N-143



- 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-149



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

Highlights:

- In January, AV sales growth slowed for the first time in five months, falling three points to 59.2. This score was about 1 point down from this time last year. Many respondents suggested the new year means new money, but that wave often takes weeks to a full month to actually hit. For other respondents, it was new year, same challenge: finding and keeping skilled workers. A key positive factor was increased certainty in the wake of the Brexit agreement (covered in last month's report).
- The finalization of the Brexit agreement was accompanied by another major positive trade development to start the decade: phase one of the new U.S.-China trade deal. This phase isn't a sure end to trade uncertainty — it's more of a ceasefire than a peace deal — but it's a good start. It leaves in place most tariffs, but for the AV

industry, the biggest impact of the trade war was always uncertainty more than prices. With the new agreement, AV buyers now have more confidence and will be more willing to invest in new projects.

- To cover an AV-specific headline, AVI-SPL announced a blockbuster merger with Whitlock on Feb. 5. The merger, which will finalize at the end of March of this year, creates the biggest AV integrator in the world. Late last year, AVIXA Market Intelligence released a [Macroeconomic Trends Analysis \(META\)](#) report on the subject of market concentration and mergers in pro AV. In that report, we found that the U.S. AV integration market is decisively unconcentrated, meaning no one or few companies dominate the space. Even after the merger, that finding remains true. The META report has lots more details on this critical topic, but a key conclusion to highlight here is that our data shows that the AV integration market has plenty of room for business both large and small.
- The new decade started off with a strongly positive U.S. jobs report. According to the BLS, the economy added 225,000 jobs, well above expectations of 150,000. Unemployment ticked up as people rejoined the labor force, and wage

growth remained as sluggish as ever. For pro AV, the news wasn't quite as good. At 57.7, this month's AV Employment Index (AVI-E) signals that job growth continued, but at a slower rate than in December when the AVI-E was at 60.7.

“Always running short handed. Current personnel could be better trained, more productive, conscientious of self-governing (take initiative). Overall crew is up to the tasks at hand and does complete assignments within timing guidelines.”

– AV Provider, North America

“Still in an in-between period with the calendar year roll over. More billing expected in the next couple months. Also, we happen to have a new PM added to the team next month.”

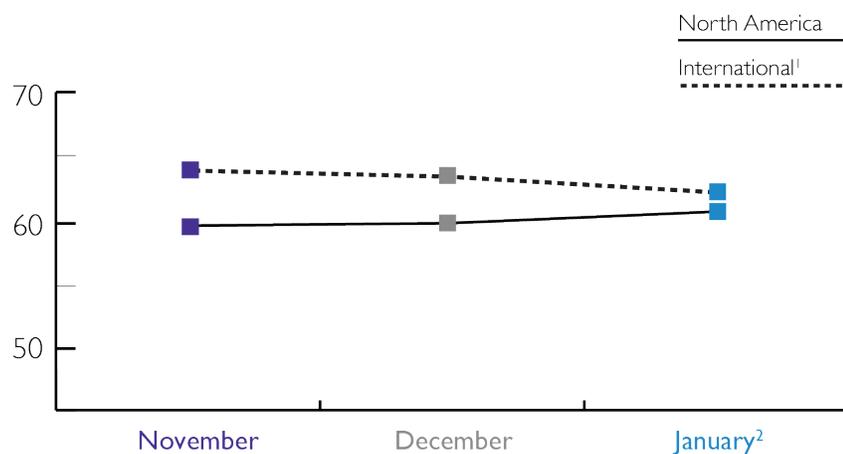
– AV Integrator, Asia-Pacific

“Tough 2019, but 2020 starting positively with new projects appearing now the economic uncertainty has settled.”

– Distributor, Europe

International Outlook

Last month, it looked like the International side was rapidly pulling away from North America. This month's data changes the story. In November, the International index was 4.1 points better than the North American one, but in the preliminary reading for January, it's just 0.9 point better.² Shared growth is preferable to unequal, so this convergence is good news.



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. January 2020 index is preliminary, based on the average of December 2019 and January 2020 and will be final with February 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, Jan. 29, 2020, to Feb. 6, 2020. A total of 264 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.