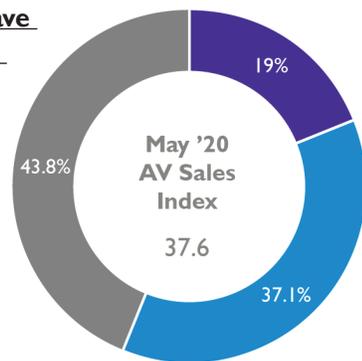


Pro AV Suffers Under Weight of COVID-19 Crisis

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...

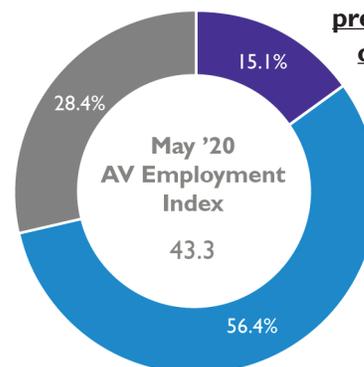
N-210



- 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-218



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

Highlights:

- Contraction in pro AV sales continued through the month of May, with the AV sales index (AVI-S) clocking in at 37.6, well below the no net growth line of 50. On the bright side, this was substantially better than the past two months, when the AVI-S was 21.3 and 23.9 respectively. With luck, the upward trend will continue, and the industry will reach neutral or perhaps even

growth conditions by June. As expected, commenters highlighted the easing of COVID-19 restrictions contributing to the stabilization of conditions. Respondents did emphasize continuing barriers to a return to status quo, including increased time and money spent on sanitization measures.

- This month, we asked our panel members when they expect their revenues to regain pre-COVID-19 levels. The most common response was the fourth quarter of this year, 2020. The range of responses was wide though, with a handful of respondents expecting the recovery to take until at least 2023. Averaging all the responses together, the expectation is for the recovery to take place in the middle of the second quarter of 2021 — almost exactly a year after the survey was fielded.
- Equity markets have continued to recover during the month of May, climbing about 10% since the April report. One thing that has not changed since then is uncertainty: When the April data came out, the uncertainty measure we had been tracking, VIX, had just dropped below 30. At the time of this writing, VIX is at 26. This indicates that substantial uncertainty remains, including meaningful downside risk. Rising equity markets are good news, but they should not be misinterpreted as a sign of increased stability.
- U.S. unemployment numbers defied expectations and dropped in May. The official unemployment rate dropped from 14.7% to 13.3% as the economy added 2.5 million jobs. This report is both deceptively bad and deceptively good. First, the way it's deceptively bad: With the unique labor market conditions, the Bureau of Labor Statistics has struggled to get respondents to give uniform responses about their labor status. In particular, respondents who are temporarily furloughed because of COVID-19 should be responding in ways that classify them as officially unemployed — but many aren't. Adjusting for these misclassified individuals suggests that last month, the unemployment rate would have

been 19.5% and this month's rate would be 16.3%, resulting in a 3.2% drop rather than a 1.4% drop. A bigger drop is good news! But too much focus on the drop obscures how dire labor market conditions remain: In the Great Recession, unemployment peaked at 10% — well below the official 13.3% and even further below the unofficial 16.3%. AV numbers showed a similar combination of good news. The AV employment index (AVI-E) increased from 34.3 to 43.3, a substantial increase. Unfortunately, that remains below the neutral growth mark of 50, meaning payrolls in AV likely continued to contract.

“COVID-19 restrictions [are] beginning to lift, but we still aren't back to pre-COVID workload. We are starting to recall furloughed employees.”

– Provider, North America

“I see changes in the next month as rentals are being requested. We will see costs increase as we will need to sanitize gear going in and coming out as well as personal protective equipment purchases.”

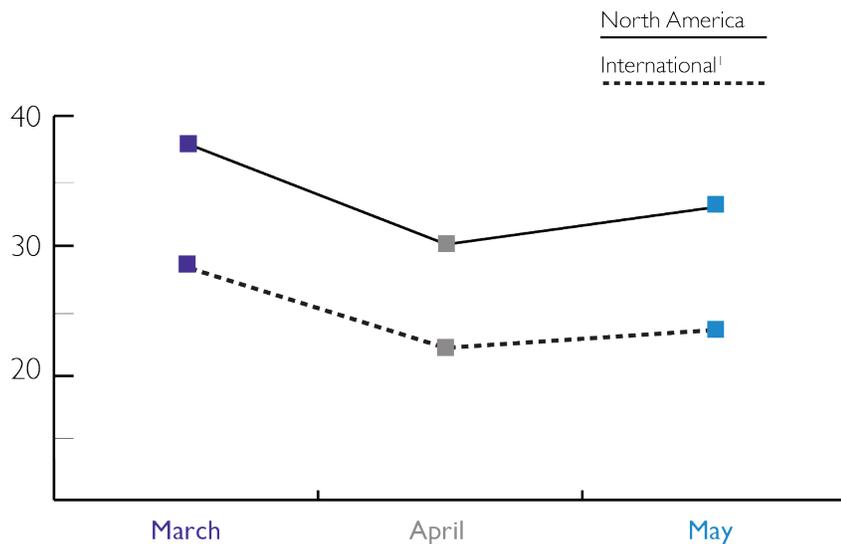
– End User, North America

“COVID-19 has hurt our live events team the most. Thankfully we have been able to adapt and work with clients to support virtual meetings. Integration has been mostly unaffected, with only some projects being put on hold but not cancelled.”

– AV Integrator, North America

International Outlook

Both the North American and international numbers ticked up slightly in our preliminary reading for May.² When the June data comes in and we finalize the May numbers, we expect the change from April to May to be significantly greater. One thing we expect to hold steady is that among our AV community, North America has fared better through the COVID-19 crisis than the rest of the world. It's disappointing to see the international side suffering under worse conditions, but it's good to see that they are also starting to gain momentum toward recovery.



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. May 2020 index is preliminary, based on the average of April 2020 and May 2020 and will be final with June 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, May 28, 2020, to June 3, 2020. A total of 339 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.