

Pro-AV Business Index

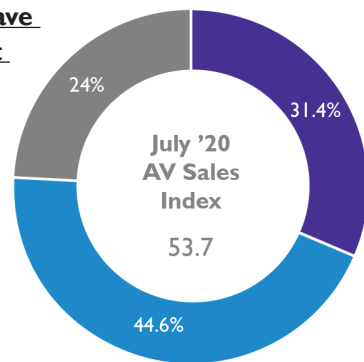
Released July 2020

This is Refreshing: Good News 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...

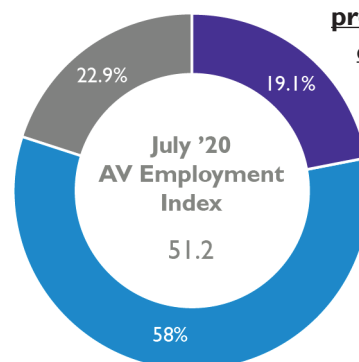
N-204



- 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-212



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

Highlights:

- This is an exciting one folks. We have a long road ahead, but pro AV sales are growing once again. This month, the AV sales index (AVI-S) reached 53.7, indicating growth for the first time since February. This represents an increase of 3.4 points from June, when the index's 50.3 mark suggested no net change. It's not all sunshine and rainbows yet, as this month's figure represents only slow growth. But the operative word is "growth," and all signs point to it continuing.
- This month, we folded in questions from the weekly COVID-19 Impact Survey we ran from March until the end of June. The top finding from the additional questions is that our panelists report a year-to-date revenue decline of 20.8% versus the same period for the previous year. Staffing was steadier,

dropping 9.0%. Despite these big declines, providers show optimism for recovery, with a clear majority anticipating revenues to get back to pre-pandemic levels by the end of 2021, right in line with our Industry Outlooks and Trends Analysis (IOTA) projections.

- Second quarter GDP numbers came out for key markets, revealing the steep economic toll our world has paid so far this year. The EU statistical office reported that the eurozone second quarter GDP dropped 12.1% from its first-quarter figure, which was already down 3.6% from the end of 2019. U.S. numbers released by the Bureau of Economic Analysis showed an even worse situation, with a second-quarter drop of 32.9% on the back of a 5.0% first-quarter drop. The silver lining of these figures is that they roughly matched expectations. Economists and business leaders knew such massive declines were coming, so measures like equity markets did not significantly change in response to the news.
- As with the AVI-S, the AV employment index (AVI-E) also turned back into growth territory in July. The index increased 3.1 points from 48.1 to 51.2. To be clear, 51.2 is so close to the no-net change mark that it's more a sign of steady payrolls than growth, but it is still encouraging. Comparing our international respondents to our North American respondents shows that this increase was driven largely by U.S. growth. Shifting attention to the broader U.S. economy, payrolls added 1.8 million workers—fully 500,000 of them at restaurants and bars—as the unemployment rate dropped to 10.2%. As a single snapshot, these numbers are a good sign. Context makes them look less positive though, as payroll growth shows clear signs of deceleration. Job growth in June was more than twice as fast as it was in July and initial unemployment claims have steadied at over 1 million per week—well above the pre-pandemic record.

“Clearly the impact of COVID-19 has been devastating with a 17% drop in same month year-over-year sales, but there is some recovery in traditional areas of our business and some new, emerging opportunities that didn’t exist before. It’s a very unstable environment, but not one that’s completely at odds with successful business.”

– Manufacturer, North America

“Businesses are assessing their audiovisual needs during these challenging times. Some customers are building their rooms for UC calling. Other customers are re-purposing large rooms for meetings with smaller occupancy numbers. Until more information about the virus, customers are holding back on large system purchases.”

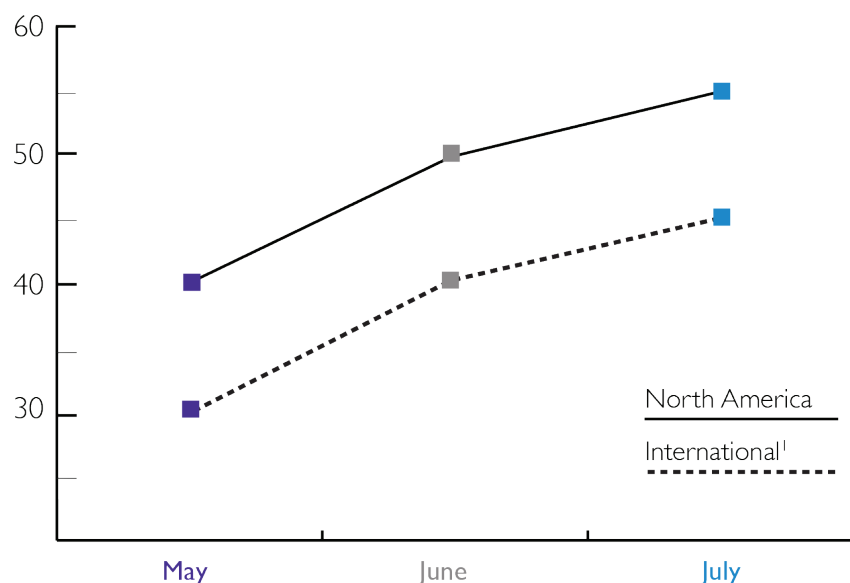
– Integrator, North America

“We are now seeing a gradual upturn in our UK business — our other European businesses saw a much quicker bounce back. Education has seen the strongest return for us so far with corporate and retail still slow to switch on. Very few projects cancelled —most postponed with no confirmed expected date.”

– Distributor, Europe

International Outlook

In May, North America exceeded the rest of the world by 10 points. In June, North America exceeded the rest of the world by 10 points. In July, 10 points again. This unchanging gap between the two geographies means both are experiencing the same trend. Given the positive nature of the trend in the AVI-S in recent months, the equality of change is a good thing. We do note that the gap places the two regions on the opposite sides of the neutral growth line. For now, our international respondents are still undergoing slow contraction, while our North American ones are experiencing growth on average. Given current trends, the international side should reach growth territory in September, though August is possible.



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. July 2020 index is preliminary, based on the average of June 2020 and July 2020 and will be final with August 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 2,000 members of the AVIXA Insights Community, July 27, 2020, to August 4, 2020. A total of 373 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.