

Three circular arrangements of numbers in a serif font, each with a shadow. The numbers are arranged in a circular pattern, with some numbers appearing larger than others. The numbers are in a dark red color. The first circle on the left contains numbers like 8, 19, 4, 7, 30, 6, 50, 28, 1, 46, 7, 21, 3. The middle circle contains numbers like 3, 7, 1, 23, 8, 4, 1, 27, 2, 7, 4, 5, 7, 39, 8, 90, 22, 5, 1, 2. The third circle on the right contains numbers like 2, 3, 14, 7, 26, 4, 5, 18, 0, 37, 2, 31, 8, 9, 7, 20, 92, 65, 46, 13, 28, 20.

CE Pro Reports a 12% Decline in Revenue

CE Pro 100 REPORTS 12% DECLINE IN REVENUE



THE LARGEST CUSTOM installation companies in the industry are not coated in Teflon after all. After being insulated from the initial housing cycle downturn in 2007, the *CE Pro 100* integration companies reported a downturn of 11.7 percent in 2008. The average company on the list earned \$6.59 million last year, down from \$7.4 million. Correspondingly, the average number of installations was also lower, by 5 percent.

The data reflects the first across-the-board, category-wide downturn among *CE Pro 100* integrators since the inception of the list 11 years ago. (The list only had 50 companies for the first two years.)

Taken as a whole, however, 2008 statistics are somewhat encouraging when you consider that many other industries would be elated to show a revenue decline of only 11.7 percent. Moreover, some companies actually showed increases this year. Also, the average revenue per employee rose by 2 percent — a sign that integrators are tightening their belts to be more productive with fewer employees.

DIGGING DEEP INTO THE DATA

As mentioned, the average number of installations fell this by 5 percent and the average installation price also fell by 7 percent. Those drops represent a total reversal from the previous year's

The recession is finally hitting the industry's highest-revenue integrators. Data for the 11th annual list shows installations down 5 percent, but revenue-per-employee is up. *by Jason Knott*

trend in which the average number of installations increased and the average priced went up.

With both revenue and pricing falling, it's a sure sign of softness in the market — unlike previous years, in which dropping installation prices could be rationalized as a reflection of a paradigm shift in the market.

Case in point: For the past several years, many dealers have seen erosions in their average installation prices as flat-panel TVs, primarily, dropped precipitously in price. That erosion was accompanied by a corresponding increase in the number of installations. It made sense. Dealers were working harder, doing more jobs to earn about the same amount of revenue. Not anymore.

Most members of the *CE Pro 100* made it through 2007 without being negatively impacted by the slowdown in the U.S.

housing market. This year, the data shows that among companies that appeared in last year's list, 48 reported revenue drops. Meanwhile, 22 actually showed an increase in revenue. For example, Audio Video Design (No. 15) in Newton, Mass. showed custom revenues up \$1.8 million in 2008 — an incredible feat. Several other companies reported flat revenues and the rest are new companies. Indeed, many of the new companies could also be reporting data that is lower

2%

Percentage increase in revenue-per-employee in 2008.

48

Number of *CE Pro 100* companies reporting revenue decreases over last year.

than last year, but the survey did not include that question.

The revenue data bucks a one-year “trend” that occurred last year, when revenues the group’s cumulative revenues increased 9 percent. It also halts a three-year trend of increasing revenues-per-installation that started back in 2005.

Over its 11 years, the prestigious *CE Pro* 100 list has changed from only traditional audio/video companies to including a mixture of companies with their roots from audio/video, hybrid retail, automation, structured wiring, security, high-voltage electrical and HVAC. The top of the list reflects that diversity.

TOP 3 REMAIN THE SAME

There is no change in the top three companies on the list.

This year’s list is led once again by Pittsburgh area-based Guardian Home Technologies with \$38 million in multi-subsystem home technology revenue out of 18 locations. Interestingly, the security giant actually has one fewer location than last year, but its revenues from this division increased by \$1.6 million. *CE Pro* profiled Guardian last fall, and the company is aggressively taking advantage of the economic slowdown to garner market share among builders, using security systems and basic structured wiring as the carrots on the end of the stick to get into projects.

It appears to be working. The company, which is a member of the GE Home Technologies Group, focuses on just a few brands and services, such as mounting flat-panel and installing in-wall/in-ceiling speakers. The company has a goal of signing contracts with more than 600 homebuilders during the recession. Overall, Guardian is a \$127 million security company with roots in both residential and commercial alarm systems. Its pure security revenues are not tallied for the purposes of its *CE Pro* 100 ranking.

Meanwhile, this year’s No. 2 company is Houston-based Modia (formerly Home Theater Store), a regional hybrid retailer with 10 stores. Similar to Guardian, Modia has one fewer location than last year. Both companies appear to have successfully contracted their expenses by shutting down a

-11%

Percentage decrease in installations by the *CE Pro* 100 that included structured wiring compared to last year.

-11.7%

Revenue decrease of the *CE Pro* 100 in 2008 compared to 2007.

location while still maintaining strong revenues. Modia’s revenues are down \$6.4 million compared to last year.

The No. 3 company is Audio Command Systems, a traditional high-end custom installation company with strong ties to the architectural community in the New York City area. ACS is a perfect example of how to withstand the recession. The company has 20 fewer employees than last year, but increased its revenues by \$700,000. Its average revenue-per-employee is \$242,747, which is a 21 percent increase from 2007.

Interestingly, despite the poor economy, the No. 100 company on this year’s list — Structured Cable of Virginia in Richmond, Va. — has revenue almost identical to the No. 100 company from last year at \$2.19 million.

As in years past, there has been a “casualty” among the 100. Baumeister Electronics, the No. 41 company in last year’s *CE Pro* 100, shut its doors in January. The company reported \$6.1 million in revenue in 2007. Over the past five years, there have been several members of the *CE Pro* 100 that have shut down. The lesson is that high revenues do not necessarily equate to high profits.

Some of the key data from this year’s *CE Pro* 100 includes:

- The average revenue per installation is \$6,034, a 9 percent decrease from last year’s \$6,532. That number is equal to the average installation price reported in 2006, but still represents a nearly 250 percent increase since 2004. It should be noted that back in 2001, when the *CE Pro* 100 primarily consisted of just traditional high-end A/V companies, the market had not truly yet developed for installing retailers and structured wiring-based companies. The average installation price was \$12,444.
- The *CE Pro* 100 installed a total of 102,521 jobs in 2008. That’s down from 114,495 jobs in 2007. The average number of installations per company is 1,090, only down slightly (5 percent) from last year.
- Not surprisingly, 19 companies are California-based, and only five companies are based in Florida, down from eight last year. Of course, Florida has been hard hit by the housing funk. Another 20 members of the *CE Pro* 100 are located in the Northeast.
- Significantly, the average-revenue-per-full-time-employee benchmark is up by 2 percent to \$136,459. It’s definite signal that companies are working more efficiently. Indeed, numerous companies on the list have fewer locations and fewer employees.

Top Custom-Only Integrators

1. Audio Command
2. Audio Video Systems
3. ETC Inc.
4. Performance Imaging
5. Audio Interiors

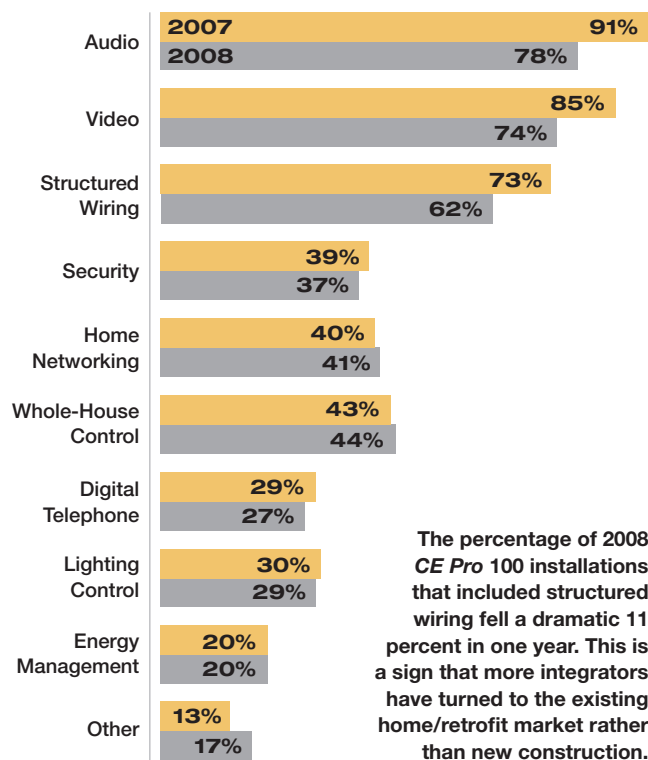
Top Hybrid Retailers

1. Modia
2. Just One Touch/Video & Audio Center
3. Myer-Emco
4. Gramophone

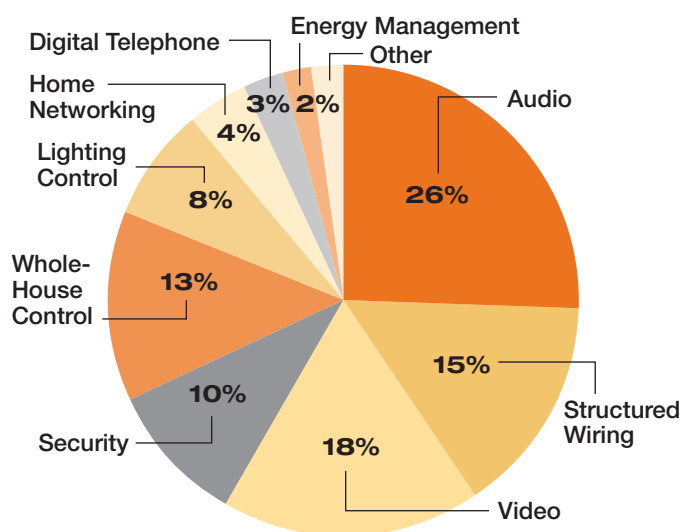
Top Security/Structured Wiring-Based Integrators

1. Guardian Home Technologies
2. Smart Systems Technologies
3. Advanced Electronic Solutions
4. Cyber Sound & Security
5. Bjorn’s Audio Video

Percentage of Installations Including these Subsystems: 2007 vs. 2008



Typical Installation Revenue by Product Category*



* DATA IS ROUNDED UP OR DOWN TO THE NEAREST WHOLE PERCENT.

Video fell from being the source of 22 percent of *CE Pro* 100 dealers' revenues last year to 18 percent this year. It's a definite signal that low video prices and margins are hurting dealers.

87 Companies Submit Verified Revenue Data

Unfortunately, you can't undertake an annual project like the *CE Pro* 100 without delving into the methodology. If you read this section last year, you can probably skip this. The methodology is the same.

This year, we have 84 companies providing verified financial data. That's down slightly from 86 last year, but up from 69 companies last year. Given the state of the economy, it's not surprising that there are nearly 30 new companies appearing on this year's list. Surely, some companies didn't want to reveal their 2008 data. The companies that did should be congratulated by everyone in the industry for providing a glimpse into how they are handling the economy.

The red "v" next to several of the entries denotes that the revenues listed were verified by the submission of tax records, P&L statements or written confirmations from the company's certified public accountant. Companies were required to sign a statement (for faxed or mailed entries) that says, "the information provided is accurate and truthful." That statement also appears at the bottom of electronic submissions.

Similar to previous years, *CE Pro* has selected gross revenue in multisystem residential installations as the determining factor for the ranking. Another much-talked-about aspect of the list is the outlining of the product lines that these large companies have chosen to offer.

There may be better and more or less expensive product lines on the market, but it is certainly worth examining why these dealers are using particular brands. Moreover, the list allows you to gauge your own company's performance compared to others.

The *CE Pro* list is obtained in several ways:

- A qualification form appeared in the February and March 2009 issues of *CE Pro*.
- An online form was posted on www.cepro.com for three months, inviting entries. The Web site will also maintain a list of the 2008 *CE Pro* 100 for the next 12 months.
- A blast e-mail was sent out to the installing companies that subscribe.
- Special e-mails and phone calls were made to a handful of firms that appeared in previous *CE Pro* 100 listing.

The dollar volume listed from companies on the list whose primary business is selling and installing security systems is derived solely from their residential installation income in which at least three subsystems are included. Likewise, hybrid retailers that have entered the custom installation business are included, but only with their multi-subsystem installation revenue.

Is your company missing from the list? If so, e-mail *CE Pro* at jknott@ehpub.com, or e-mail any other comments about the *CE Pro* 100. **CE Pro**

Rank	Company Name	Contact	City, State	2008 Custom Revenues	No. of Installs	Revenue/ Install	No. of Full-Time Employees	Revenue/ Employee	No. of Locations	Years in Business	
41	▼ TriPhase Technologies	Robert Haecker	Carmel, Ind.	\$5,111,233	110	\$46,466	28	\$182,544	1	12	
42	▼ Green Electronic Solutions	Jack Green	Rowlett, Texas	\$5,000,000	450	\$11,111	40	\$125,000	1	23	
42	▼ World Wide Security	Ken Mara	Garden City, N.Y.	\$5,000,000	400	\$12,500	45	\$111,111	1	30	
44	▼ Integrated Media Systems	Tom Wells	Sterling, Va.	\$5,000,000	100	\$50,000	27	\$185,185	1	30	
45	▼ Intech Inc.	Eric Smith	Hicksville, N.Y.	\$4,950,000	125	\$39,600	10	\$495,000	1	15	
46	▼ Dallas Sight and Sound Inc.	David Rogers	Addison, Texas	\$4,907,772	108	\$45,442	36	\$136,327	1	25	
47	▼ Zobo TV	Scott Osborne	Charlotte, N.C.	\$4,900,000	480	\$10,208	18	\$272,222	2	11	
48	▼ Integrated Excellence LLC	Marc Hoffmann	Norcross, Ga.	\$4,700,000	3,200	\$1,469	60	\$78,333	3	10	
49	▼ Stereo East Home Theater	Gary Montagna	Frisco, Texas	\$4,500,000	400	\$11,250	24	\$187,500	1	24	
49	▼ Accent Electronic Systems Integrators	Curt Rothenberg	Bonita Springs, Fla.	\$4,500,000	200	\$22,500	27	\$166,667	2	10	
49	▼ Audio Images	Mark Ontiveros	Tustin, Calif.	\$4,500,000	125	\$36,000	30	\$150,000	1	18	
52	Georgia Home Theater	Brian Bergherm	Smyrna, Ga.	\$4,400,000	190	\$23,158	20	\$220,000	1	20	
53	▼ Audio Video Planners Inc.	David Ault	Oakdale, Minn.	\$4,373,055	254	\$17,217	24	\$182,211	2	18	
54	▼ Sound Concepts	Ryan Heringer	Jonesboro, Ark.	\$4,337,000	156	\$27,801	11	\$394,273	1	7	
55	▼ AVIO Inc.	David Barnett	Troy, Mich.	\$4,256,000	70	\$60,800	25	\$170,240	3	15	
56	▼ Phoenix Unequaled Home Entertainment	Scott Fuelling	Memphis, Tenn.	\$4,200,000	40	\$105,000	19	\$221,053	1	14	
56	Audio Visions	Stefon Torres	Baton Rouge, La.	\$4,200,000	35	\$120,000	10	\$420,000	2	15	
58	▼ Genesis Audio & Video	William Anderson	Irvine, Calif.	\$4,134,209	65	\$63,603	17	\$243,189	1	32	
59	▼ The Little Guys	David Wexler Evie Wexler	Glenwood, Ill.	\$4,000,000	1,377	\$2,905	40	\$100,000	1	14	
60	▼ Grand Home Automation Inc.	Dean Rockwell	Hudsonville, Mich.	\$3,993,078	36	\$110,919	18	\$221,838	3	12	