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HIGHEST REVENUE INTEGRATORS

Why 84% Predict Growth for 2012

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CE Pro 100

TOPS \$1.4B MARK

in Sales



No. 11

No. 62



No. 80



No. 93



No. 19



No. 58

No. 1



No. 79



No. 21



No. 6



No. 50



No. 37



No. 34



No. 33



No. 18



No. 42



No. 5

New mass-market business models converge with traditional integration and local custom retail to create a dynamic *CE Pro 100*. *by Jason Knott*

A FIRST GLANCE AT THIS YEAR'S *CE Pro 100* might lead an outsider to think custom installation is no longer a cottage industry of entrepreneurs. For the most part, that conclusion would be wrong, even though some very large companies are now in the business of installing home automation and home theater systems.

When the *CE Pro 100* was introduced 14 years ago, the largest company on the list did \$5 million in installation revenues. My how things have changed! In 2011, there are 35 companies on the list with more than \$5 million. The confluence of large retailers and security companies mixed with traditional A/V installation companies has changed the profile of the *CE Pro 100* dramatically since back in 1999. This year, the average company is \$14 million. Of course, if you subtract out the top three companies, the average falls to \$5.5 million, but that's still quite a leap from years ago. (The highest previous average revenue figure for the *CE Pro 100* was \$7.4 million 2007 at the height of the housing boom.)

This year, the list is led by mammoth Best Buy, which has a *CE Pro* estimated installation revenue from its Geek Squad, Magnolia Home Theater and Audio Visions divisions of a remarkable \$680 million. That does not include Geek Squad computer repair, but is just multi-subsystem installations ... from hang-and-bang flat-panels jobs to large integrated systems.

At the same time, last year's No. 1 company, ADT, saw a huge jump in estimated home automation

revenues with the introduction of its Pulse system. Likewise, this year's No. 3 company, Vivint, had its custom revenues grow ten-fold as marketing and installation of its entry-level home control system hit their stride. (See page 60 for more details on all three companies.)

Just as in past years, when large regional custom retailers first appeared on the list, then security companies, and now a large national retailer with an installation operation, naysayers will argue that the list does not represent "custom installation." However, many entrepreneurial integrators on the list are offering identical products and services at their most basic level as the large players are offering. Many local integrators do simple flat-panel installations and limited lighting and HVAC control tied in with a security panel.

ANALYZING KEY METRICS

In total, the *CE Pro 100* reports 2011 revenues of an astonishing \$1.4 billion, or \$1,448,094,322 to be exact. We can't really talk in terms of percentage increases for revenues, installations and employees over previous years, because it would not truly be an apples-to-apples comparison. Indeed, the data show an uptick of more than 100 percent in 2011 vs. 2010, but that figure is swayed by the Best Buy entry. Still, there are the two key metrics from the *CE Pro 100* that integrators — no matter how big — need to track: revenue per installation and revenue per employee.

Revenue Per Employee: One of the bellwether statistics in the industry is revenue per employee. Many integrators look carefully at this metric when determining the health of their businesses. Over the years, this piece of data has continued to fall as dealers install lower-priced systems. For 2011, traditional custom integrators continued a turnaround for the second year in row. The average revenue per employee in 2011 was \$174,174 (excluding data from Best Buy, ADT and Vivint). That's up 17 percent from last year, and a remarkable 24 percent over two years.

Remember, the *CE Pro 100* revenue number does NOT include recurring monthly revenue derived from monitoring of security accounts. Of course, subsidized systems sacrifice upfront payment in return for the long-term commitment of a monitoring contract, which turns that subsidization into profit after a certain point in time. So in terms of this list, as more subsidized companies participate, this metric will have less relevance and may be dropped from future

editions of the *CE Pro 100*. The list also does include commercial revenues. Meanwhile, the median number of employees fell from 22 to 20 as integrators stayed lean.

Number of Installations: Looking at the total number of installations, there was quite a jump, led primarily by the top three companies. Overall, the *CE Pro 100* performed an estimated 345,694 installations. That includes estimates for public

companies Best Buy and ADT and a verified 153,094 installations from the other 98 companies on the list. *CE Pro* has estimated that Best Buy and its entities performed 119,500 installations, while ADT did at least 73,100 installations from its Pulse (Advantage and Premier only) and Custom Home Division combined.

However, with many large players this year skewing the average higher, a more accurate snapshot of a typical *CE Pro 100* company might be to look at the median number of installations. Median represents the number in which half the respondents are above and half are below. In this case, it is 130 installations per company.

Revenue Per Installation: The number of jobs did not translate into higher-paying installations in 2010. Indeed, just the opposite. Average revenue per installation fell 42 percent, from \$7,211 to \$4,189. That trend is not surprising given the prolific number of jobs from the top three companies. It is likely to continue as the public becomes even more accustomed to subsidized home automation models from alarm companies adding HVAC and lighting control to their security packages.

Geographic Trends: Five years ago, the *CE Pro 100* was rife with members from the states with explosive growth in new home construction — namely Nevada, Arizona, Florida and California. Since the collapse of the housing market, integrators have been forced to market their services to existing homeowners. Logically, this means the *CE Pro 100* should be migrating to represent companies located in more populous states versus high-growth states.

Indeed, California has the most representation on the list, with 18 members. It makes sense, since the Golden State still has lots of wealth despite the housing doldrums. Next, the tri-state area of New York/New Jersey/Connecticut with 14, followed by 10 integrators from Florida. Other areas with strong representation include Texas (eight), Illinois (five) and Arizona (five).

Top 10 Traditional Custom A/V Integrators

1. Audio Command
2. Audio Video Systems
3. Vision Systems Automation
4. Engineered Environments
5. Audio Interiors
6. Cyber Sound
7. DSI Entertainment Systems
8. Performance Imaging
9. Intech
10. ETC

Top 6 Custom Retailers (Installation Revenue Only)

1. Best Buy/Geek Squad/Magnolia/AudioVisions
2. Abt Electronics
3. Just One Touch/Video & Audio Center
4. MODIA
5. Hifi House
6. World Wide Stereo

Top 5 Security/Structured Wiring Based Integrators

1. ADT Security Services
2. Vivint
3. Guardian Protection
4. Accent Electronic Systems Integrators
5. Crime Prevention Security Systems & Custom Home Entertainment

KEY BENCHMARK NUMBERS

\$1.448 billion Total custom revenues logged by the *CE Pro 100* in 2011

69% Percentage increase in custom revenues in 2011 vs. 2010.

\$5.5 million Average custom revenues earned by the *CE Pro 100* in 2011*

345,694 Estimated total number of installations done by the *CE Pro 100*

130 Median number of installations per company

\$4,189 Average revenue per installation

42% Percentage decline in revenue per installation in 2011 vs. 2010.

\$12,444 Average revenue per installation in 2001 (record high)

20 Median number of employees per *CE Pro 100* company

\$680 million Revenues for the No. 1 company, up from \$50 million for highest revenues last year.)

18 Number of companies based in California

\$174,174 Revenue per employee*

17% Percentage increase in revenue per employee in 2011 vs. 2010*

24 Average number of years in business

1 Median number of business locations/storefronts

62 Number of *CE Pro 100* companies with a single business location/storefront

*Excluding Best Buy, ADT, Vivint

Predictions for 2012: Optimism abounds for the coming year. Only two companies anticipate a worse 2012 than 2011. Another 10 are expecting a “flat” year in terms of revenue, while another four declined to speculate. That means 84 companies in the group are bullish on 2012. Identical to last year, the average revenue increase predicted by those integrators is 15 percent for next year.

Buying Groups: For the first time, the *CE Pro 100* identifies the A/V buying groups to which the companies belong. There are 21 members of the Home Technology Specialists of America, 20 members of BrandSource’s Home Entertainment Source, three members of the PRO Group and one member of Specialty Electronics Nationwide. ■

CE Pro 100 Brand Usage Data Coming in June

Watch for the detailed analysis of the products used by members of the *CE Pro 100* in the June issue of *CE Pro*. Among the questions answered will be:

- Which brands are being used more often and which are being used less?
- What level of influence does the Apple iPad have on interface usage?
- Which nascent product disciplines being tracked — like gaming, CCTV, home healthcare and remote managed services — are gaining traction and which are not?

Companies Verify Their Data

Ever since *CE Pro* started asking for verification of the financial data 10 years ago, we have been waiting for this year. For 2011, every company in the final *CE Pro 100* either submitted their data, had it verified by an outside accountant, or was verified via manufacturers (excluding the estimates for public companies Best Buy and ADT). The verification is optional. 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. Keep your eyes peeled for the June issue of *CE Pro* that will include a brand analysis by the *CE Pro 100*. The list allows you to gauge your own company’s performance against others. It may even provide you with a valuable tool to use with investors or bankers when trying to describe the scope of the custom installation business.

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

- A qualification form appeared in the January, February and March 2012 issues of *CE Pro*.
- An online form was posted on www.cepro.com for three months, inviting entries. The website will also maintain a list of the 2011 *CE Pro 100* for the next 12 months.
- A blast email was sent out to the installing companies that subscribe to *CE Pro*.
- Special emails and phone calls were made to a handful of firms that appeared in previous *CE Pro 100* listing.

The list is ranked by the volume of billed, not booked, business from residential systems that incorporate at least three of the following subsystems:

- Audio (sources, speakers, processors or multiroom distribution components)
- HVAC control/energy management systems
- Lighting controls
- Security systems (alarms, integrated fire, access control or CCTV)
- Structured wiring
- Telecommunications
- Video (sources, monitors, projectors, screens DBS or multiroom distribution components, gaming)
- Whole-house automation/integration
- Networking (PC/broadband routers, modems, WAPs, etc.)
- Window covering controls
- Other (central vacuum, surge protection, irrigation control, spa controls, acoustical panels, seating, furniture, etc.)

As always there are several large companies that chose not to participate in this year’s listing. Many higher-end custom companies do not want to be compared with high-volume companies on any list. Is your company missing from the list? If so, email *CE Pro* at jknott@ehpub.com, or please email any other comments about the *CE Pro 100*. ■

Rank	Verified	Company	City, State	Custom Residential Revenue	No. of Residential Installs	Revenue/Install	No. of Employees	Revenue/Employee	Years in Business	2012 Outlook	Buying Group
26	✓	Home Entertainment Design South	Hollywood, Fla.	\$5,632,400	50	\$112,648	24	\$234,683	25	up 5%	
27	✓	Signals Audio/Video	El Segundo, Calif.	\$5,623,864	45	\$124,975	18	\$312,437	17	up 20%-30%	
28	✓	The Sound Room	Chesterfield, Mo.	\$5,600,000	500	\$11,200	34	\$164,706	29	up 15%	HTSA
29	✓	Showcase A/V	Calgary, Canada	\$5,456,000	462	\$11,810	21	\$259,810	26	up	
30	✓	Tunnel Vision Technology	Chicago, Ill.	\$5,385,456	219	\$24,591	13	\$414,266	13	up 25%	
31	✓	Triphase Technologies	Carmel, Ind.	\$5,356,363	82	\$65,322	28	\$191,299	15	flat	HES
32	✓	Audio Video Excellence	Birmingham, Ala.	\$5,340,000	100	\$53,400	26	\$205,385	13	up 5%	HTSA
33	✓	HS Technology Group	Baltimore, Md.	\$5,322,000	750	\$7,096	25	\$212,880	19	up 25%	
34	✓	Ray Supply	Queensbury, N.Y.	\$5,164,725	250	\$20,659	22	\$234,760	75	down 10%	HES
35	✓	Accent Electronic Systems Integrators	Bonita Springs, Fla.	\$5,000,000	150	\$33,333	75	\$66,667	12	up 5%	
36	✓	Crime Prevention Security Systems & Custom Home Entertainment	Gainesville, Fla.	\$4,908,509	953	\$5,151	60	\$81,808	37	up 10%	
37	✓	King Systems	Lakewood, Colo.	\$4,900,000	22	\$222,727	22	\$222,727	10	up 15%	SEN
38	✓	Sound Concepts	Jonesboro, Ark.	\$4,883,537	370	\$13,199	12	\$406,961	9	up 20%	HES
39	✓	Coitcom	Redwood City, Calif.	\$4,700,000	250	\$18,800	12	\$391,667	30	up 50%	
40	✓	Elite Performance Integration	Pawling, N.Y.	\$4,543,581	145	\$31,335	40	\$113,590	19	up 5%	
41	✓	Audio Images	Tustin, Calif.	\$4,284,424	25	\$171,377	22	\$194,747	20	up 10%	
42	✓	Audio Video Design	Mission Viejo, Calif.	\$4,229,854	48	\$88,122	21	\$201,422	22	up 25%	HES
43	✓	Stereo East Home Theater	Frisco, Texas	\$4,200,000	300	\$14,000	22	\$190,909	30	up 5%	HTSA
44	✓	Eagle Sentry	Las Vegas, Nev.	\$4,157,000	375	\$11,085	28	\$148,464	26	up 5%	HES
45	✓	iWired	Scottsdale, Ariz.	\$4,100,000	300	\$13,667	25	\$164,000	11	up 10%	
46	✓	Innerspace Electronics	Port Chester, N.Y.	\$4,075,086	120	\$33,959	21	\$194,052	23	up 17.4%	HTSA
47	✓	Bjorn's Audio Video	San Antonio, Texas	\$4,010,000	900	\$4,456	70	\$57,286	37	flat	PRO
T-48	✓	Jamiesons Audio/Video	Toledo, Ohio	\$4,000,000	200	\$20,000	18	\$222,222	58	up 15%	HTSA
T-48	✓	Vitex Systems	Naples, Fla.	\$4,000,000	1,100	\$3,636	30	\$133,333	10	up 70%	
50	✓	Phoenix Unequaled Home Entertainment	Memphis, Tenn.	\$3,900,000	40	\$97,500	20	\$195,000	18	up 15%	HTSA

Alphabetical Listing and Rank of CE Pro 100 Companies

AAMI - Affordable Alarm & Monitoring	78	Hi-Fi Sales	68
Abt Electronics	4	Home Entertainment Design South	26
Acadian Home Theater & Automations	92	HomeTronics	55
Accent Electronic Systems Integrators	35	HS Technology Group	33
ADT Security Services	2	Innerspace Electronics	46
Advanced Communication Technologies	96	Intech	18
Audio Buys	T-51	Integrated Media Systems	56
Audio Command Systems	8	Intra Home Systems	73
Audio Dimensions	T-51	iWired	45
Audio High	23	Jamiesons Audio/Video	48
Audio Images	41	Just One Touch / Video & Audio Center	6
Audio Interiors	13	King Systems	37
Audio Video Crafts	22	LinkUs	54
Audio Video Design	42	Logic Integration	63
Audio Video Excellence	32	Maverick Integration	20
Audio Video Intelligence	86	Maximum Sound & Security	95
Audio Video Interiors	75	Maxsystems aka Maxsecurity Systems	79
Audio Video Systems	9	MODIA	7
Audio/Video/Alternatives	T-89	North Bay AVS Design	83
Automated Environments	T-80	Performance Imaging	16
Automation Integration	91	Phoenix Unequaled Home Entertainment	50
AVIO	72	Premier Group	65
AVL PRO	76	Procom Enterprises	61
Bekins	58	PWM Technology (AES/JWE)	24
Best Buy/Geek Squad/Magnolia/AudioVisions	1	Quadrant Systems	85
Bjorn's Audio Video	47	Ray Supply	34
C&R Systems	98	Saturday Audio Exchange	97
Century Stereo	59	Sawyers Control Systems	T-80
Cloud9 Smarthome	25	Service Tech AV	21
Coitcom	39	Showcase A/V	29
Creative Sound & Integration	87	Showtime Audio & Video	88
Crime Prevention Security Systems & Custom Home Entertainment	36	Sierra Integrated Systems	77
Custom Systems Integration	T-99	Signals Audio/Video	27
Cyber Sound	14	simpleHome	94
Dallas Sight and Sound	66	Smart Systems Technologies	53
Digitech Custom Audio and Video	70	Sound Concepts	38
DSI Entertainment Systems	15	SoundVision	60
Dynamark Systems	74	Stereo East Home Theater	43
Eagle Sentry	44	Structured Cable of VA	84
Elite Custom Audio Video	64	Texas Custom AV & Security	T-80
Elite Performance Integration	40	The Little Guys Home Technology	T-99
Encore Audio/Video	T-89	The Phonograph	69
Engineered Environments	12	The Sound Room	28
Enhanced Home Systems	57	Triphase Technologies	31
ETC	19	Tunnel Vision Technology	30
Fusion Media Systems	62	Vision Systems Automation	10
Fusion Systems, LLC dba Fusion Audion + Video	67	Vitex Systems	48
Grand Home Automation	93	Vivint	3
Guardian Protection Services	5	World Wide Stereo	17
Hifi House	11	Wrights Sound Gallery	71