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FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 23, 2003

PC Connection, Inc.

-----  
(Exact name of registrant as specified in charter)

Delaware

0-23827

02-0513618

-----  
(State or other juris-  
diction of incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

Rt. 101A, 730 Milford Road  
Merrimack, NH

03054

-----  
(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (603) 423-2000

N/A

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(Former name or former address, if changed since last report)

Item 9. Regulation FD Disclosure (Information furnished pursuant to Item 12,  
"Disclosure of Results of Operations and Financial Condition").

On July 23, 2003, PC Connection, Inc. announced its financial results for the quarter ended June 30, 2003. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

In accordance with the procedural guidance in SEC Release No. 33-8216, the information in this Form 8-K and the Exhibit attached hereto is being furnished under "Item 9. Regulation FD Disclosure" rather than under "Item 12. Disclosure of Results of Operations and Financial Condition." The information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 23, 2003

PC CONNECTION, INC.

By: /s/ MARK A. GAVIN

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Mark A. Gavin  
Senior Vice President of Finance and Chief  
Financial Officer

EXHIBIT INDEX

Exhibit No.

Description

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99.1

Press release dated July 23, 2003

## PC Connection, Inc. Reports Second Quarter Results

MERRIMACK, N.H.--(BUSINESS WIRE)--July 23, 2003--PC Connection, Inc. (NASDAQ: PCCC)--

## SECOND QUARTER HIGHLIGHTS:

- 10.4% growth in net sales
- 8% sequential growth in sales representatives
- 6% growth in active customers

PC Connection, Inc. (NASDAQ: PCCC), a leading direct marketer of information technology products and solutions, today announced results for the quarter ended June 30, 2003.

Net sales for the three months ended June 30, 2003 increased by \$30.4 million, or 10.4%, to \$321.6 million from \$291.2 million for the quarter ended June 30, 2002. Net income for the quarter ended June 30, 2003, on a generally accepted accounting principles (GAAP) basis, was \$1.4 million, or \$.06 per share, compared to \$0.3 million, or \$.01 per share, for the quarter ended June 30, 2002.

Net sales for the six months ended June 30, 2003 were \$605.1 million compared to \$528.3 million for the corresponding period a year ago. Net income for the six months ended June 30, 2003, on a GAAP basis, was \$3.0 million, or \$.12 per share, compared to a net loss of \$(1.8) million, or \$(.07) per share, for the corresponding period a year ago. MoreDirect, Inc., the Company's large account subsidiary, was acquired in April 2002.

All above reported periods included charges related to workforce reductions and other special charges that reduced earnings and earnings per share. Had these charges not been recorded, pro forma net income for the quarter ended June 30, 2003 would have been \$1.6 million, or \$.07 per share, compared to \$0.3 million, or \$.01 per share, for the quarter ended June 30, 2002. Pro forma net income for the six months ended June 30, 2003 would have been \$3.2 million, or \$.13 per share, compared to a loss of \$(1.3) million, or \$(.05) per share, for the corresponding same period a year ago. A reconciliation between net income (loss) on a GAAP basis and pro forma net income (loss) is provided in a table immediately following the Consolidated Statements of Operations.

Net sales for the small- and medium-sized business (SMB) segment increased by 7.5% from the second quarter of 2002 to \$186.6 million and increased sequentially by 4.4% over the immediately preceding quarter. This is the first quarter since the fourth quarter of 2000 that the SMB segment grew over the prior year period. Sales to government and education customers grew for the quarter by 17.8% over the second quarter of 2002 to \$75.0 million, and increased sequentially by 42.5% from the immediately preceding quarter. Sales to the federal government grew sequentially by 40.0% and rose year-over-year by 19.3%. Sales to state, local, and education customers grew sequentially this quarter by 44.5% and rose year-over-year by 16.7%. Sales to large corporate account customers increased by 11.4% from the second quarter of 2002 to \$60.0 million and increased sequentially by 14.8% over the immediately preceding quarter.

Patricia Gallup, Chairman and Chief Executive Officer, said, "We are pleased with the performance of all three PC Connection, Inc. sales subsidiaries during the second quarter of 2003. We improved sales productivity on an annualized basis, grew the total number of sales representatives, and increased the number of active customers." Sales productivity improved by 11% over the second quarter of 2002 to \$2.4 million per sales representative. The total number of sales representatives increased sequentially by 8% to 546 from 505 as of March 31, 2003. In addition, the number of active customers, or customers who have previously purchased from the Company, increased by 6% over the second quarter of 2002 to 483,000 and increased sequentially by 5% over the immediately preceding quarter.

Notebook computer systems and PDAs continued to be the Company's largest product category, accounting for 21% of net sales in the second quarter of 2003 compared to 17% of net sales for the corresponding period a year ago. Desktop and server computer systems accounted for 14% of net sales in the second quarter of 2003, compared to 15% for the corresponding 2002 period. The average selling prices of computer systems decreased 15% in the second quarter compared to the corresponding period a year ago, and decreased 5% compared to the first quarter of 2003.

Gross profit margin as a percentage of net sales was 10.3% in the second quarter of 2003, compared to 10.8% in the second quarter of

2002. Gross margins were lower as a result of winning more competitively priced deals and increasing our overall market share. As previously stated, the Company expects that its gross profit margin as a percentage of net sales may vary by quarter based upon vendor support programs, product mix, pricing strategies, market conditions, and other factors.

Total selling, general, and administrative expenses (SG&A) as a percentage of sales were 9.3% in the second quarter of 2003, compared to 10.5% in the corresponding period a year ago. The Company expects that its SG&A as a percentage of net sales may vary by quarter depending on changes in sales volume, as well as the levels of continuing investments in key growth initiatives. The improvement in our SG&A rates, compared to the corresponding quarter a year ago, was due to higher sales volumes and continued profit improvement initiatives.

Ms. Gallup concluded, "The investments we are making to increase sales and improve efficiency are producing positive results. We believe PC Connection is in a strong position to gain market share and enhance long-term shareholder value."

PC Connection, Inc., a Fortune 1000 company, operates through three sales subsidiaries, PC Connection Sales Corporation of Merrimack, NH, GovConnection, Inc. of Rockville, MD, and MoreDirect, Inc. of Boca Raton, FL. PC Connection Sales Corporation is a rapid-response provider of information technology (IT) products and solutions offering more than 100,000 brand-name products to businesses through its staff of technically trained outbound sales account managers and catalog telesales representatives, its comprehensive web sites at [www.pcconnection.com](http://www.pcconnection.com) and [www.macconnection.com](http://www.macconnection.com), and its catalogs PC Connection (1-800-800-5555) and MacConnection (1-800-800-2222). GovConnection, Inc. is a rapid-response provider of IT products and solutions, offering more than 100,000 brand-name products to federal, state and local government agencies, and educational institutions (1-800-800-0019). MoreDirect, Inc. provides corporate technology buyers with a comprehensive web-based e-procurement solution and in-depth IT supply-chain expertise, serving as a one-stop source by aggregating more than 300,000 products from the inventories of leading IT wholesale distributors and manufacturers. All three subsidiaries can deliver custom-configured computer systems overnight.

A live webcast of PC Connection management's discussion of the second quarter will be available on the Company's Web site at [www.pcconnection.com](http://www.pcconnection.com) and on [www.streetevents.com](http://www.streetevents.com). The webcast will begin today at 10:00 am Eastern time.

#### "Safe Harbor" Statement

Under the Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements that are subject to risks and uncertainties, including, but not limited to, the impact of changes in market demand and the overall level of economic activity, or in the level of business investment in information technology products, competitive products and pricing, product availability and market acceptance, new products, fluctuations in operating results and other risks detailed under the caption "Factors That May Affect Future Results and Financial Condition" in the Company's 2002 Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission for the period ended March 31, 2003. More specifically, the statements in this release concerning the Company's outlook for the balance of 2003 and the statements concerning the Company's gross margin percentage and selling and administrative costs and other statements of a non-historical basis (including statements regarding implementing strategies for future growth, the ability of the Company to improve sales productivity and increase its active customers) are forward-looking statements that involve certain risks and uncertainties. Such risks and uncertainties include the ability to realize market demand for and competitive pricing pressures on the products and services marketed by the Company, the continued acceptance of the Company's distribution channel by vendors and customers, continuation of key vendor relationships and support programs and the ability of the Company to hire and retain qualified sales representatives and other essential personnel.

#### CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

At or for the Three Months Ended June 30,  
(Dollars and shares in thousands, except operating data,  
price/earnings ratio and per share data)

2003	2002			
----	----			
		% of	% of	%
		Net Sales	Net Sales	Change

Operating Data:

Net sales growth	10.4%	(1.8)%
Diluted earnings per share change	500.0	(83.3)
Gross profit margin	10.3	10.8
Operating margin	0.8	0.2
Return on equity(2)	3.7	0.8

Catalogs distributed	7,910,000	5,318,000	48.7%
Orders entered(1)	335,900	304,500	10.3
Average order size(1)	\$1,110	\$1,127	(1.5)
Inventory turns(2)	20	22	
Days sales outstanding(3)	45	48	
Active customers(4)	483,000	457,000	

Product Mix:

Notebooks & PDAs	\$ 66,269	20.6%	\$ 50,403	17.3%	31.5%
Desktops/Servers	45,364	14.1	42,960	14.8	5.6
Storage Devices	28,582	8.9	27,865	9.6	2.6
Software	30,370	9.5	40,506	13.9	(25.0)
Net/Comm Products	26,129	8.1	24,198	8.3	8.0
Printers & Printer Supplies	39,341	12.2	34,193	11.7	15.1
Video, Imaging & Sound	38,242	11.9	31,794	10.9	20.3
Memory & System Enhancements	18,248	5.7	16,620	5.7	9.8
Accessories/Other	29,023	9.0	22,649	7.8	28.1
	-----	-----	-----	-----	-----
	\$ 321,568	100.0%	\$ 291,188	100.0%	10.4%
	-----	-----	-----	-----	-----

Net Sales of Enterprise Server and Networking Products  
(included in the above Product Mix):

	\$ 71,491	22.2%	\$ 66,882	23.0%	6.9%
	-----	-----	-----	-----	-----

Stock Performance

Indicators:

Actual shares outstanding	24,731	24,559
Total book value per share	\$6.21	\$5.90
Tangible book value per share	\$4.70	\$4.81
Closing price	\$6.89	\$4.10
Market capitalization	\$170,397	\$100,692
Trailing price/earnings ratio (5)	21	68

- (1) Does not reflect cancellations or returns
- (2) Annualized
- (3) Represents the balance of customer receivables at the end of the period, divided by the average daily open account sales for the period.
- (4) All customers included in the Company's mailing list who made a purchase within the last twelve-month period.
- (5) Earnings is based on the last four quarters

SELECTED SEGMENT INFORMATION  
For the Three Months Ended June 30  
(Dollars in thousands)

	2003		2002	
	----		----	
	Net Sales	Gross Margin(%)	Net Sales	Gross Margin(%)
	-----	-----	-----	-----

Sales Corporation (SMB)	\$ 186,576	10.7%	\$ 173,635	11.6%
GovConnection (Public Sector)	75,023	7.9	63,704	8.8
MoreDirect (Large Account)	59,969	11.7	53,849	10.4
	-----	----	-----	-----
Total	\$ 321,568	10.3%	\$ 291,188	10.8%
	-----	----	-----	-----

CONSOLIDATED STATEMENTS OF OPERATIONS  
Three Months Ended June 30,  
(Amounts in thousands, except per share data)

	2003 ----		2002 ----	
	Amount -----	% of Net Sales -----	Amount -----	% of Net Sales -----
Net sales	\$ 321,568	100.00%	\$ 291,188	100.00%
Cost of sales	288,611	89.75	259,864	89.24
	-----	-----	-----	-----
Gross Profit	32,957	10.25	31,324	10.76
	-----	-----	-----	-----
Selling, general and administrative expenses	30,018	9.34	30,609	10.51
Restructuring costs and other special charges	397	.12	105	.04
	-----	-----	-----	-----
Income From Operations	2,542	.79	610	.21
	-----	-----	-----	-----
Interest expense	(276)	(.08)	(296)	(.10)
Other, net	54	.02	132	.05
Income tax provision	(917)	(.29)	(169)	(.06)
	-----	-----	-----	-----
Net Income	\$ 1,403	.44%	\$ 277	.10%
	-----	-----	-----	-----
Weighted average common shares outstanding:				
Basic	24,665		24,553	
	-----		-----	
Diluted	25,013		24,833	
	-----		-----	
Earnings per common share:				
Basic	\$ .06		\$ .01	
	-----		-----	
Diluted	\$ .06		\$ .01	
	-----		-----	

CONSOLIDATED STATEMENTS OF OPERATIONS  
Six Months Ended June 30,  
(Amounts in thousands, except per share data)

	2003 ----		2002 ----	
	Amount -----	% of Net Sales -----	Amount -----	% of Net Sales -----
Net sales	\$ 605,095	100.00%	\$ 528,308	100.00%
Cost of sales	539,663	89.19	472,034	89.35
	-----	-----	-----	-----
Gross Profit	65,432	10.81	56,274	10.65
	-----	-----	-----	-----
Selling, general and administrative expenses	59,657	9.85	58,087	11.00
Restructuring costs and other special charges	397	.07	918	.17
	-----	-----	-----	-----
Income (Loss) From				

Operations	5,378	.89	(2,731)	(.52)
Interest expense	(579)	(.10)	(538)	(.10)
Other, net	98	.02	327	.06
Income tax (provision) credit	(1,919)	(.32)	1,119	.21
	-----	-----	-----	-----
Net Income (Loss)	\$ 2,978	.49%	\$ (1,823)	(.35)%
	-----	-----	-----	-----
Weighted average common shares outstanding:				
Basic	24,658		24,552	
	-----		-----	
Diluted	24,960		24,552	
	-----		-----	
Earnings (loss) per common share:				
Basic	\$ .12		\$ (.07)	
	-----		-----	
Diluted	\$ .12		\$ (.07)	
	-----		-----	

#### A RECONCILIATION BETWEEN GAAP AND PRO FORMA NET INCOME (LOSS)

This information is being provided so as to allow for a comparison of our operating results without workforce reduction and other special charges. (Amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	----	----	----	----
GAAP net income (loss)	\$ 1,403	\$ 277	\$ 2,978	\$ (1,823)
Restructuring costs and other special charges (after tax)	240	65	241	569
	-----	-----	-----	-----
Pro forma net income (loss)	\$ 1,643	\$ 342	\$ 3,219	\$ (1,254)
	-----	-----	-----	-----

#### CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	June 30, 2003	December 31, 2002
	----	----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,396	\$ 1,797
Restricted cash(1)	-	5,000
Accounts receivable, net	122,010	135,314
Inventories - merchandise	62,175	52,479
Deferred income taxes	1,042	741
Income tax receivable	2,486	1,294
Prepaid expenses and other current assets	4,955	3,278
	-----	-----
Total current assets	201,064	199,903
Property and equipment, net	23,056	25,995
Goodwill, net	33,704	33,704
Other intangibles, net	3,570	3,746
Restricted cash (1)	5,000	5,000
Other assets	188	334
	-----	-----
Total assets	\$ 266,582	\$ 268,682
	-----	-----

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Current Liabilities:

Current maturities of capital lease obligation to affiliate	\$ 270	\$ 200
----------------------------------------------------------------	--------	--------



Accounts payable	90,337	85,493
Accrued expenses and other liabilities	13,255	22,921
	-----	-----
Total current liabilities	103,862	108,614
Capital lease obligation to affiliate, less current maturities	6,259	6,421
Deferred taxes	2,975	3,503
	-----	-----
Total liabilities	113,096	118,538
	-----	-----
Stockholders' Equity:		
Common stock	251	250
Additional paid-in capital	75,637	75,274
Retained earnings	79,884	76,906
Treasury stock at cost	(2,286)	(2,286)
	-----	-----
Total stockholders' equity	153,486	150,144
	-----	-----
Total liabilities and stockholders' equity	\$ 266,582	\$ 268,682
	-----	-----

(1) Cash escrow established for the MoreDirect, Inc. acquisition

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
Six Months Ended June 30, 2003 (Amounts in thousands)

	Common Stock		Additional Paid In Capital	Retained Earnings
	Shares	Amount		
	-----	-----	-----	-----
Balance - December 31, 2002	\$ 24,997	\$ 250	\$ 75,274	\$ 76,906
Exercise of stock options, including income tax benefits	46	-	152	-
Issuance of stock under employee stock purchase plan	50	1	211	-
Net income	-	-	-	2,978
	-----	-----	-----	-----
Balance - June 30, 2003	25,093	\$ 251	\$ 75,637	\$ 79,884
	-----	-----	-----	-----

	Treasury Shares		
	Shares	Amount	Total
	-----	-----	-----
Balance - December 31, 2002	(362)	\$ (2,286)	\$ 150,144
Exercise of stock options, including income tax benefits	-	-	152
Issuance of stock under employee stock purchase plan	-	-	212
Net Income	-	-	2,978
	-----	-----	-----
Balance - June 30, 2003	(362)	\$ (2,286)	\$ 153,486
	-----	-----	-----

	2003 ----	2002 ----
Cash Flows from Operating Activities:		
Net income (loss)	\$ 2,978	\$ (1,823)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,408	3,787
Deferred income taxes	(829)	96
Provision for doubtful accounts	1,294	3,237
Gain on disposal of fixed assets	-	(2)
Changes in assets and liabilities:		
Accounts receivable	12,010	21,253
Inventories	(9,696)	13,976
Prepaid expenses and other current assets	(2,869)	(2,039)
Other non-current assets	146	(63)
Accounts payable	4,844	(8,888)
Income tax benefits from exercise of stock options	110	26
Accrued expenses and other liabilities	1,166	(2,435)
	-----	-----
Net cash provided by operating activities	13,562	27,125
	-----	-----
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,325)	(3,370)
Proceeds from sale of property and equipment	-	9
Payment of acquisition earn-out obligation	(10,800)	-
Decrease in restricted cash	5,000	-
Payments for acquisition, net of cash acquired	-	(22,585)
Cash escrow funded for acquisition	-	(10,000)
	-----	-----
Net cash used for investing activities	(7,125)	(35,946)
	-----	-----
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	76,465	5,521
Repayment of short-term borrowings	(76,465)	(5,521)
Repayment of capital lease obligation to affiliate	(92)	(83)
Repayment of notes payable	-	(500)
Exercise of stock options	42	107
Issuance of stock under employee stock purchase plan	212	313
Purchase of treasury shares	-	(448)
	-----	-----
Net cash provided by (used for) financing activities	162	(611)
	-----	-----
Increase (decrease) in cash and cash equivalents	6,599	(9,432)
Cash and cash equivalents, beginning of period	1,797	35,605
	-----	-----
Cash and cash equivalents, end of period	\$ 8,396	\$ 26,173
	-----	-----

CONTACT: PC Connection, Inc.  
Mark Gavin, 603/683-2451