
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): October 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 03054 Merrimack, NH

03054

(Address of principal executive offices)

(Zip Code)

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

N/A

(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 October 23, 2003, PC Connection, Inc. announced its financial results for the quarter ended September 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: October 23, 2003

PC CONNECTION, INC.

By: /s/ MARK A. GAVIN

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

PC Connection, Inc. Reports Third Quarter Results

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

THIRD QUARTER HIGHLIGHTS:

- 3% growth in net sales
- 8% growth in sales representatives
- 7% 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 September 30, 2003. Net sales for the three months ended September 30, 2003 increased by \$8.4 million, or 2.5%, to \$349.4 million from \$341.0 million for the quarter ended September 30, 2002. Net income on a generally accepted accounting principles (GAAP) basis for both the quarter ended September 30, 2003 and the quarter ended September 30, 2002, was \$2.2 million, or \$.09 per share.

Net sales for the nine months ended September 30, 2003 were \$954.5 million compared to \$869.3 million for the corresponding period a year ago. Net income for the nine months ended September 30, 2003, on a GAAP basis, was \$5.2 million, or \$.21 per share, compared to net income of \$0.4 million, or \$.02 per share, for the corresponding period a year ago. MoreDirect, Inc., the Company's large account subsidiary, was acquired in April 2002 and included in 2002 results only from that date forward.

The three-month period ended September 30, 2002 and the nine-month periods ended September 30, 2003 and 2002 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 three-month period ended September 30, 2002 would have been \$2.6 million, or \$.11 per share, and pro forma net income for the nine months ended September 30, 2003 would have been \$5.4 million, or \$.22 per share, compared to \$1.3 million, or \$.05 per share, for the nine months ended September 30, 2002. A reconciliation between net income on a GAAP basis and pro forma net income is provided in a table immediately following the Consolidated Statements of Income.

Net sales for the small- and medium-sized business (SMB) segment increased in this quarter by 2.9% from the third quarter of 2002 to \$179.6 million but decreased sequentially by 3.8% over the immediately preceding quarter. Sales to government and education customers (the Company's Public Sector segment) grew sequentially by 38.1% over the immediately preceding quarter to \$103.6 million, and increased year-over-year by 7.6%. More specifically, sales to the federal government grew sequentially by 64.5% and grew year-over-year by 0.6%. Sales to state, local, and education customers grew sequentially this quarter by 19.0% and grew year-over-year by 15.8%. Sales to large corporate account customers decreased by 5.7% from the third quarter of 2002 to \$66.3 million but increased sequentially by 10.5% over the immediately preceding quarter.

Patricia Gallup, Chairman and Chief Executive Officer, said, "The total number of sales representatives as of September 30, 2003 increased year-over-year by 8% to 580 from 539 as of September 30, 2002. The number of active customers, or customers who have purchased from the Company within the last twelve months, increased by 7% over the third quarter of 2002."

Notebooks and PDAs continued to be the Company's largest product category, accounting for 20.9% of net sales in the third quarter of 2003 compared to 16.9% for the corresponding period a year ago. Desktop computers and servers accounted for 14.2% of net sales in the third quarter of 2003, compared to 13.6% for the corresponding 2002 period. The average selling price of computer systems decreased 18% in the third quarter compared to the corresponding period a year ago and decreased 2% compared to the second quarter of 2003.

Gross profit margin as a percentage of net sales was 10.3% in the third quarter of 2003, compared to 10.9% in the third quarter of 2002. Gross profit margins were lower as a result of the increase in government and education sales, which generally carry low margins, and more competitive pricing in our SMB segment. 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 9.2% in the third quarter of 2003, compared to 9.6% 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 stated, "PC Connection continues to remain focused on strengthening our business by developing strong relationships, providing great products, and identifying emerging opportunities in the marketplace."

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 and 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 third quarter results will be available on the Company's Web site at www.pcconnection.com and on www.streetevents.com. The webcast will begin today at 10:00 am ET.

"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 2003 Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission for the period ended June 30, 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 and customer 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 September 30,	2003	2002

(Dollars and shares in thousands, except operating data, price/earnings ratio and per share data)		
	% of Net Sales	% of Net Sales Change

Operating Data:		
Net sales growth	2.5%	9.0%
Diluted earnings per share change	-	12.5
Gross profit margin	10.3	10.9
Operating margin	1.1	1.1
Return on equity(2)	5.7	6.1

Catalogs distributed	8,258,000	7,445,000	10.9%
Orders entered(1)	335,000	314,000	6.7
Average order size(1)	\$1,303	\$1,323	(1.5)

Inventory turns(2)	19	24	
Days sales outstanding(3)	48	50	
Active customers(4)	486,000	456,000	6.6

Product Mix:

Notebooks & PDAs	\$ 73,012	20.9%	\$ 57,731	16.9%	26.5%
Desktops/Servers	49,686	14.2	46,235	13.6	7.5
Storage Devices	31,099	8.9	31,595	9.3	(1.6)
Software	37,581	10.7	53,960	15.8	(30.4)
Net/Com Products	27,834	8.0	26,185	7.7	6.3
Printers & Printer Supplies	39,903	11.4	37,689	11.0	5.9
Video, Imaging & Sound	41,003	11.7	36,841	10.8	11.3
Memory & System Enhancements	19,778	5.7	18,109	5.3	9.2
Accessories/Other	29,524	8.5	32,694	9.6	(9.7)
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	\$ 349,420	100.0%	\$ 341,039	100.0%	2.5%
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Net Sales of Enterprise Server and Networking Products (included in the above Product Mix):

	\$ 95,730	27.4%	\$ 88,720	26.0%	7.9%
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Stock Performance Indicators:

Actual shares outstanding	24,763	24,554
Total book value per share	\$6.30	\$5.99
Tangible book value per share	\$4.80	\$4.90
Closing price	\$9.38	\$4.06
Market capitalization	\$232,277	\$99,689
Trailing price/earnings ratio(5)	28	58

(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 September 30,	2003		2002	
	Net	Gross	Net	Gross
(Dollars in thousands)	Sales	Margin (%)	Sales	Margin (%)
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PC Connection Sales Corporation (SMB)	\$ 179,565	11.2%	\$ 174,478	12.3%
GovConnection (Public Sector)	103,596	8.0	96,265	8.4
MoreDirect (Large Account)	66,259	11.3	70,296	10.8
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Total	\$ 349,420	10.3%	\$ 341,039	10.9%
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CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended				
September 30,	2003		2002	
	Amount	% of	Amount	% of
(Amounts in thousands, except per share data)		Net Sales		Net Sales
-----	-----	-----	-----	-----
Net sales	\$ 349,420	100.00%	\$ 341,039	100.00%

Cost of sales	313,494	89.72	303,869	89.10
	-----	-----	-----	-----
Gross Profit	35,926	10.28	37,170	10.90
Selling, general and administrative expenses	32,059	9.17	32,625	9.57
Restructuring costs and other special charges	-	-	718	.21
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Income From Operations	3,867	1.11	3,827	1.12
Interest expense	(270)	(.08)	(297)	(.09)
Other, net	27	.01	94	.03
Income tax provision	(1,444)	(.42)	(1,418)	(.41)
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Net Income	\$ 2,180	.62%	\$ 2,206	.65%
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Weighted average common shares outstanding:				
Basic	24,741		24,533	
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	-----		-----	
Diluted	25,322		24,789	
	-----		-----	
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Earnings per common share:				
Basic	\$.09		\$.09	
	-----		-----	
	-----		-----	
Diluted	\$.09		\$.09	
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	-----		-----	

CONSOLIDATED STATEMENTS OF INCOME

Nine Months Ended September 30,	2003		2002	
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(Amounts in thousands, except per share data)	Amount	% of Net Sales	Amount	% of Net Sales
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Net sales	\$ 954,515	100.00%	\$ 869,347	100.00%
Cost of sales	853,157	89.38	775,903	89.25
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Gross Profit	101,358	10.62	93,444	10.75
Selling, general and administrative expenses	91,716	9.61	90,712	10.43
Restructuring costs and other special charges	397	.04	1,636	.19
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Income From Operations	9,245	.97	1,096	.13
Interest expense	(849)	(.09)	(835)	(.10)
Other, net	125	.01	421	.05
Income tax provision	(3,363)	(.35)	(299)	(.04)
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Net Income	\$ 5,158	.54%	\$ 383	.04%
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Weighted average common shares outstanding:				
Basic	24,686		24,546	
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	-----		-----	
Diluted	25,058		24,848	
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	-----		-----	
Earnings per common share:				
Basic	\$.21		\$.02	
	-----		-----	
	-----		-----	
Diluted	\$.21		\$.02	
	-----		-----	

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Nine Months Ended September 30, 2003 (Amounts in thousands)

	Common Stock ----- Shares	Amount	Additional Paid In Capital	Retained Earnings	Treasury Shares ----- Amount	Total
Balance - December 31, 2002	24,997	\$ 250	\$75,274	\$76,906	(362)\$ (2,286)	\$150,144
Exercise of stock options, including income tax benefits	78	-	442	-	-	442
Issuance of stock under employee stock purchase plan	50	1	211	-	-	212
Net income	-	-	-	5,158	-	5,158
Balance - September 30, 2003	25,125	\$251	\$75,927	\$82,064	(362)\$ (2,286)	\$155,956

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, (Amounts in thousands)	2003	2002
Cash Flows from Operating Activities:		
Net income	\$ 5,158	\$ 383
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,500	5,997
Deferred income taxes	(1,867)	(524)
Provision for doubtful accounts	2,323	5,838
Gain on disposal of fixed assets	(1)	-
Changes in assets and liabilities:		
Accounts receivable	(12,314)	(12,392)
Inventories	(19,995)	5,000
Prepaid expenses and other current assets	250	(865)
Other non-current assets	147	(95)
Accounts payable	32,810	12,845
Income tax benefits from exercise of stock options	152	118
Accrued expenses and other liabilities	2,123	378
Net cash provided by operating activities	15,286	16,683
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,907)	(4,428)
Proceeds from sale of property and equipment	1	16
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	(7,706)	(36,997)
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	109,333	19,568

Repayment of short-term borrowings	(109,333)	(19,568)
Repayment of capital lease obligation to affiliate	(140)	(126)
Repayment of notes payable	-	(1,000)
Exercise of stock options	290	135
Issuance of stock under employee stock purchase plan	212	313
Purchase of treasury shares	-	(751)
	-----	-----
Net cash provided by (used for) financing activities	362	(1,429)
	-----	-----
Increase (decrease) in cash and cash equivalents	7,942	(21,743)
Cash and cash equivalents, beginning of period	1,797	35,605
	-----	-----
Cash and cash equivalents, end of period	\$ 9,739	\$ 13,862
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CONTACT: PC Connection, Inc., Merrimack
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