SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

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): April 27, 2006
PC Connection, Inc.
(Exact name of registrant as specified in charter)

| Delaware | 0-23827 | 02-0513618 |
| :---: | :---: | :---: |
| (State or other juris- <br> diction of incorporation | (Commission <br> File Number) | (IRS Employer <br> 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) 683-2000
N/A
(Former name or former address, if changed since last report)

I_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

I_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On April 27, 2006, PC Connection, Inc. announced its financial results for the quarter ended March 31, 2006. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Form 8-K (including Exhibit 99.1) 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.

Item 9.01. Financial Statements and Exhibits
(d) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:
99.1 Press Release issued by PC Connection, Inc. on April 27, 2006.

## 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: April 27, 2006 PC CONNECTION, INC.

By: /s/ Jack Ferguson
Jack Ferguson
Senior Vice President, Treasurer and Chief Financial Officer

## Exhibit No.

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99.1

Description
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Press release issued by PC Connection, Inc.
on April 27, 2006.

# Company Achieves 17.5\% Year-Over-Year Sales Growth, Including 9.1\% Organic Growth 

Public Sector Sales Increase 12.4\% Year Over Year

MERRIMACK, N.H.--(BUSINESS WIRE)--April 27, 2006--PC Connection, Inc. (NASDAQ:PCCC), a leading direct marketer of information
technology products and solutions, today announced results for the quarter ended March 31, 2006. Net sales for the three months ended March 31, 2006 increased by $\$ 56.6$ million, or $17.5 \%$, to $\$ 380.5 \mathrm{million}$ from \$323.9 million for the three months ended March 31, 2005. Approximately $\$ 27.3$ million of this growth, or $8.4 \%$, was attributable to the October 2005 acquisition of key assets of Amherst Technologies, reported previously. Net income for the quarter ended March 31, 2006 was $\$ 1.7$ million, or $\$ .07$ per share, compared to $\$ 0.9$ million, or $\$ .04$ per share for the three months ended March 31, 2005.

The three-month period ended March 31, 2006 included special charges that reduced earnings and earnings per share. Had these charges not been incurred, pro forma net income for the quarter ended March 31, 2006 would have been $\$ 2.2$ million, or $\$ .09$ per share. A reconciliation between net income on a GAAP basis and pro forma net income is provided in a table immediately following the Consolidated Income Statements.

Net sales for the small- and medium-sized business (SMB) segment increased by $9.4 \%$ to $\$ 219.1$ million compared to the first quarter of 2005. Sales to large account customers increased by $41.9 \%$ over the first quarter of 2005 to $\$ 108.4$ million, due in large part to the Amherst acquisition. Sales to government and education customers (the Company's public sector segment) increased for the quarter by $12.4 \%$ to $\$ 53.0$ million compared to the first quarter of 2005.
"We are pleased with our overall performance," said Patricia Gallup, Chairman and Chief Executive Officer. "PC Connection achieved record Q1 sales levels this quarter, and experienced year-over-year sales growth in all three business segments. We are particularly encouraged with the progress of our public sector business and our continuing success integrating the Amherst Technologies assets and operations that we acquired last quarter."

Notebooks and PDAs continued to be the Company's largest product category, accounting for $17.0 \%$ of net sales in the first quarter of 2006 compared to $18.8 \%$ for the corresponding period a year ago. Desktop computers and servers accounted for $14.9 \%$ of net sales in the first quarter of 2006 compared to $14.8 \%$ of net sales for the corresponding period a year ago. The average sales price for computer systems decreased 4.9\% in the first quarter compared to the corresponding period a year ago, and decreased $1.1 \%$ compared to the fourth quarter of 2005. Sales of accessories and other companion products increased $26.0 \%$ year over year, partly due to the high sales of Apple music players and related products. Software and Video, Imaging and Sound product lines each increased $25 \%$ over the first quarter of 2005.

Gross profit margin, as a percentage of net sales, was 12.2\% in the first quarter of 2006 compared to $11.5 \%$ in the first quarter of 2005 and $11.0 \%$ in the fourth quarter of 2005. Gross margin improved in all three segments, due to increased vendor consideration received in the quarter, larger net service revenue and to stronger product margins. 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.

Consolidated annualized productivity increased in the first quarter of 2006 by $8.2 \%$ compared to the first quarter of 2005, even though the total number of sales representatives increased by 64 to 650 as of March 31, 2006 from 586 as of March 31, 2005.

Total selling, general, and administrative ("SG\&A") expenses for the quarter increased year over year by $\$ 6.5$ million, or $18.5 \%$, over the first quarter of 2005, but was sequentially largely unchanged from the fourth quarter of 2005. The year-over-year dollar increase resulted from the Amherst transaction, variable compensation from our organic growth, and increased professional fees relating primarily to enhancements to our sales systems and service levels. The Company expects that its SG\&A expenses, 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.

Ms. Gallup concluded, "The investments we made over the past year, and our efforts to improve the effectiveness of our sales organizations, are producing results. Overall, we believe PC

Connection is well positioned to continue to gain market share and enhance long-term shareholder value."

About PC Connection, Inc.
PC Connection, Inc., a Fortune 1000 company, operates three sales subsidiaries, PC Connection Sales Corporation of Merrimack, NH, GovConnection, Inc. of Rockville, MD, and MoreDirect, Inc. of Boca Raton, FL. All three subsidiaries can deliver custom-configured computer systems overnight.

PC Connection Sales Corporation (1-800-800-5555) 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 sales account managers and catalog telesales representatives, catalogs and publications, and its web site at www.pcconnection.com. The subsidiary serves the Apple/Macintosh community through its MacConnection division (1-800-800-2222), which also publishes specialized catalogs and is online at www.macconnection.com.

GovConnection, Inc. (1-800-800-0019) is a rapid-response provider of IT products and solutions to federal, state, and local government agencies and educational institutions through specialized account managers, catalogs and publications, and online at www.govconnection.com.

MoreDirect, Inc. (561-237-3300), www.moredirect.com, 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.

A live webcast of PC Connection management's discussion of the first quarter will be available on the Company's Web site at www.pcconnection.com and on www.streetevents.com. The webcast will begin today at 11:00 a.m. 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, the Company's success at integrating the acquired assets of Amherst Technologies into its businesses, the impact of the costs of acquisition and integration, the ability of the Company to hire and retain Amherst Technologies sales representatives and other essential personnel, and other risks detailed under the caption "Factors That May Affect Future Results and Financial Condition" in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2005. More specifically, the statements in this release concerning the Company's outlook for 2006 and the statements concerning the Company's gross margin percentage, productivity, 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 March 31, 20062005

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

Gross profit margin
Operating margin (1)
12.2\%
0.9
4.0
0.6
2.3

Catalogs distributed
Orders entered (2)
Average order size (2)
3,600,000 383,000 \$1,147

Inventory turns (1)
$8,461,000$
358,000
$\$ 1,048$

45
(57.5)\%
7.0 9.4

Days sales outstanding
Product Mix:
Notebooks \& PDAs
Desktops/Servers
Storage Devices
Software
Net/Com Products
Printers \& Printer
Supplies
Video, Imaging, \& Sound
Memory \& System
Enhancements
Accessories/Other

| $\$ 64,543$ | $17.0 \%$ | $\$ 60,850$ | $18.8 \%$ | $6.1 \%$ |
| ---: | ---: | ---: | ---: | ---: |
| 56,495 | 14.9 | 47,957 | 14.8 | 17.8 |
| 33,918 | 8.9 | 28,861 | 8.9 | 17.5 |
| 47,923 | 12.6 | 38,254 | 11.8 | 25.3 |
| 29,853 | 7.8 | 24,871 | 7.7 | 20.0 |
|  |  |  |  |  |
| 40,034 | 10.5 | 34,418 | 10.6 | 16.3 |
| 46,868 | 12.3 | 37,565 | 11.6 | 24.8 |
| 18,856 | 5.0 | 17,747 | 5.5 | 6.2 |
| 41,988 | 11.0 | 33,328 | 10.3 | 26.0 |
| ------------------- | ----- |  |  |  |
| $\$ 380,478$ | $100.0 \%$ | $\$ 323,851$ | $100.0 \%$ | $17.5 \%$ |
| $=========$$=-===$ $=========$ <br> $=====$  |  |  |  |  |

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

| \$108, 671 | 28.6\% | \$94, 912 | 29.3\% | 14.5\% |
| :---: | :---: | :---: | :---: | :---: |


| Stock Performance Indicators: |  |  |
| :--- | ---: | ---: |
| Actual shares outstanding | 25,259 | 25,136 |
| Total book value per share | $\$ 6.86$ | $\$ 6.66$ |
| Tangible book value |  |  |
| per share | $\$ 4.40$ | $\$ 4.48$ |
| Closing price | $\$ 5.76$ | $\$ 5.87$ |
| Market capitalization | $\$ 145,492$ | $\$ 147,548$ |
| Trailing price/earnings |  |  |
| ratio (3) | 27 | 18 |

(1) Annualized
(2) Does not reflect cancellations or returns
(3) Earnings is based on the last four quarters

## SELECTED SEGMENT INFORMATION

| For the <br> Three Months Ended March | 2006 |  | 2005 |  |
| :---: | :---: | :---: | :---: | :---: |
| (Dollars in thousands) | Net Sales | Gross <br> Margin(\%) | Net Sales | Gross Margin(\%) |
| PC Connection Sales |  |  |  |  |
| Corporation (SMB) | \$219,121 | 13.4\% | \$200,325 | 12.3\% |
| MoreDirect (Large Account) | 108,362 | 10.5 | 76,366 | 10.5 |
| GovConnection (Public Sector) | 52,995 | 10.7 | 47,160 | 10.1 |
| Total | \$380,478 | 12.2\% | \$323, 851 | 11.5\% |



| Cost of sales | 334,060 | 87.8 | 286,517 | 88.5 |
| :---: | :---: | :---: | :---: | :---: |
| Gross Profit | 46,418 | 12.2 | 37,334 | 11.5 |
| Selling, general, and administrative expenses | 41,955 | 11.0 | 35,416 | 10.9 |
| Special charges | 891 | 0.3 | - | - |
| Income From Operations | 3,572 | 0.9 | 1,918 | 0.6 |
| Interest expense | (644) | (0.2) | (272) | (0.1) |
| Other, net | 11 | 0.0 | (25) | 0.0 |
| Income tax provision | $(1,233)$ | (0.3) | (673) | (0.2) |
| Net Income | \$1,706 | 0.4\% | \$948 | 0.3\% |

Weighted average common shares outstanding:

## 25,259

$========$
25,636
==========
Earnings per common share:
Basic
\$0. 07
$\$ 0.07$
==========

25,127
=========
25,362
==========
$\$ 0.04$
==========
$\$ 0.04$

## A RECONCILIATION BETWEEN GAAP AND PRO FORMA NET INCOME

This information is being provided so as to allow for a comparison of our operating results without special charges.
Three Months Ended
March 31,

## CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

## ASSETS

Current Assets:
Cash and cash equivalents
Accounts receivable, net
Inventories - merchandise
Deferred income taxes
Income taxes receivable
Prepaid expenses and other current assets

## Total current assets

Property and equipment, net
Goodwill, net
Other intangibles, net Other assets

Total assets

March 31, December 31, 20062005 ----------

| \$ | 8,202 | \$ | 9,770 |
| :---: | :---: | :---: | :---: |
|  | 150,957 |  | 162,525 |
|  | 61,085 |  | 75,374 |
|  | 3,318 |  | 3,769 |
|  | 1,545 |  | 1,742 |
|  | 4,911 |  | 4,219 |
|  | 230,018 |  | 257,399 |
|  | 17,761 |  | 17,700 |
|  | 56,867 |  | 56,820 |
|  | 5,166 |  | 5,427 |
|  | 360 |  | 359 |
| \$ | 310,172 | \$ | 337,705 |


| Current maturities of capital lease obligations: |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| To affiliate | \$ | 427 | \$ | 416 |
| To third party |  | 417 |  | 412 |
| Note payable - bank |  | 15,149 |  | 19,975 |
| Accounts payable |  | 89,635 |  | 114,413 |
| Accrued expenses and other liabilities |  | 21,363 |  | 21,290 |
| Total current liabilities |  | 126,991 |  | 156,506 |
| Capital lease obligations, |  |  |  |  |
| less current maturities: |  |  |  |  |
| To affiliate |  | 5,189 |  | 5,299 |
| To third party |  | 289 |  | 396 |
| Deferred income taxes |  | 4,458 |  | 4,105 |
| Total liabilities |  | 136,927 |  | 166,306 |
| Stockholders' Equity: |  |  |  |  |
| Common stock |  | 256 |  | 256 |
| Additional paid-in capital |  | 78,024 |  | 77,884 |
| Retained earnings |  | 97,251 |  | 95,545 |
| Treasury stock at cost |  | $(2,286)$ |  | $(2,286)$ |
| Total stockholders' equity |  | 173,245 |  | 171,399 |
| Total liabilities and stockholders' equity | \$ | 310,172 | \$ | 337,705 |

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Three months ended March 31, 2006 (Amounts in thousands)

|  | Common <br> Shares | Stock <br> Amount | Additional Paid-In Capital | Retained Earnings | Treasury Shar Shares Amount | Total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Balance - |  |  |  |  |  |  |
| $\begin{aligned} & \text { December 31, } \\ & 2005 \end{aligned}$ | 25,622 | \$256 | \$77,884 | \$95,545 | (362)(\$2,286) | \$171,399 |
| Stock compensation expense | - | - | 140 | - | - - | 140 |
| Net income | - | - | - | 1,706 | - - | 1,706 |
| Balance - |  |  |  |  |  |  |
| $\begin{aligned} & \text { March 31, } \\ & 2006 \end{aligned}$ | 25,622 | \$256 | \$78,024 | \$97,251 | (362)(\$2,286) | \$173,245 |

CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, (Amounts in thousands)

Cash Flows from Operating Activities:

| Net income | $\$ 81,706$ | $\$$ |
| :--- | ---: | ---: |
| Adjustments to reconcile net income to |  | 948 |
| net cash provided by operating activities: |  |  |
| Depreciation and amortization | 1,698 | 1,714 |
| Provision for doubtful accounts | 894 | 878 |
| Deferred income taxes | 804 | 353 |
| Loss on disposal of fixed assets | 14 | 41 |
| Stock compensation expense | 140 | - |
| Changes in assets and liabilities: |  |  |
| Accounts receivable | 10,674 | 774 |
| Inventories | 14,289 | 5,879 |
| Prepaid expenses and other current assets | $(495)$ | $(839)$ |

Other non-current assets
Accounts payable
Income tax benefits from exercise of stock options
Accrued expenses and other liabilities
Net cash provided by operating activities

Cash Flows from Investing Activities:
Purchases of property and equipment
Proceeds from sale of property and equipment
Net cash used for investing activities

Cash Flows from Financing Activities:
Proceeds from short-term borrowings
Repayment of short-term borrowings
Repayment of capital lease obligations
Exercise of stock options
Net cash used for financing activities
Decrease in cash and cash equivalents
Cash and cash equivalents, beginning of period
Cash and cash equivalents, end of period

| $(1)$ | $(34)$ |
| ---: | ---: |
| $(24,778)$ | $(4,685)$ |
| - | 49 |
| 73 | $(1,407)$ |
| ----- | $-\cdots$ |

$(1,579) \quad(773)$

20
13
$(1,559) \quad(760)$

125,911 50,560
$(130,737)(53,947)$
(201) (218)

- 201
$(5,027)(3,404)$
$(1,568) \quad(493)$
9,770 6,829
\$ 8,202 \$ 6,336

CONTACT: PC Connection, Inc. Stephen Baldridge, 603-683-2052

