

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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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): January 28, 2016

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PC Connection, Inc.

(Exact name of registrant as specified in charter)

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Delaware  
(State or other juris-  
diction of incorporation)

0-23827  
(Commission  
File Number)

02-0513618  
(IRS Employer  
Identification No.)

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Rt. 101A, 730 Milford Road  
Merrimack, NH  
(Address of principal executive offices)

03054  
(Zip Code)

Registrant's telephone number, including area code: (603) 683-2000

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N/A

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

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- 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)
  - 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))
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**Item 2.02. Results of Operations and Financial Condition**

On January 28, 2016, PC Connection, Inc. announced its financial results for the quarter and year ended December 31, 2015. 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 January 28, 2016.

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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: January 28, 2016

PC CONNECTION, INC.

By: /s/ Joseph Driscoll

Joseph Driscoll

Senior Vice President, Treasurer and  
Chief Financial Officer

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EXHIBIT INDEX

Exhibit No.

Description

99.1

Press release issued by PC Connection, Inc. on January 28, 2016.

## PC Connection, Inc. Reports Fourth Quarter and Full Year 2015 Results

MERRIMACK, N.H.--(BUSINESS WIRE)--January 28, 2016--PC Connection, Inc. (NASDAQ: PCCC):

### FOURTH QUARTER SUMMARY:

- Net income up 14% y/y
- Net sales: \$684.3 million, up 8.5% y/y
- Diluted EPS: \$0.51, up 13% y/y

### FULL YEAR SUMMARY:

- Net income up 10% y/y
- Net sales: \$2.57 billion, up 4.5% y/y
- Diluted EPS: \$1.76, up 9% y/y

PC Connection, Inc. (NASDAQ: PCCC), a national provider of a full range of information technology (IT) solutions to business, government, healthcare, and education markets, today announced record results for the quarter ended December 31, 2015. Net sales for the fourth quarter of 2015 increased by 8.5% to \$684.3 million, compared to \$630.8 million for the prior year quarter. Net income for the quarter ended December 31, 2015 increased by 14.0% to \$13.6 million, or \$0.51 per diluted share, compared to net income of \$11.9 million, or \$0.45 per diluted share for the prior year quarter.

Net sales for the year ended December 31, 2015 were \$2.57 billion, an increase of \$110.6 million or 4.5%, compared to \$2.46 billion for the year ended December 31, 2014. Net income for the year ended December 31, 2015 increased by 9.7% to \$46.8 million, or \$1.76 per diluted share, compared to net income of \$42.7 million, or \$1.61 per diluted share, for the year ended December 31, 2014. Earnings before interest, taxes, depreciation and amortization, adjusted for stock-based compensation expense ("Adjusted EBITDA") totaled \$88.5 million for 2015, compared to \$80.5 million for 2014.

### *Quarterly Performance by Segment:*

- Net sales for the SMB segment increased by 0.4% to \$262.6 million in the fourth quarter of 2015, compared to the prior year quarter. Gross margin increased by 70 basis points to 15.9% due to strong performance in advanced technology solution categories including software, networking, and services.
  - Net sales for the Large Account segment increased by 22.8% to \$277.0 million in the fourth quarter of 2015, compared to the prior year quarter. The increase was due to strong demand for solution-based projects from enterprise customers across a number of industries and vertical markets, including significant growth in the Healthcare market. This represented the highest quarterly revenue ever achieved by the Large Account segment.
  - Net sales to the Public Sector segment increased by 0.8% to \$144.7 million in the fourth quarter of 2015, compared to the prior year quarter. Gross margin improved 40 basis points due to double-digit sales increases in software and networking.
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**Quarterly Sales by Product Mix:**

- Notebook/mobility sales, the Company's largest product category, increased by 14% year over year and accounted for 20% of net sales in the fourth quarter of 2015 and 2014. Mobility continues to be a strategic focus area for customers in each of our three segments.
- Software sales increased by 19% year over year and accounted for 20% of net sales in the fourth quarter of 2015 compared to 18% of net sales in the prior year quarter. We experienced growth in cloud-based offerings, security, and virtualization.

Overall gross profit increased by \$8.7 million, or 10.5%, in the fourth quarter of 2015, compared to the prior year quarter. Consolidated gross margin, as a percentage of net sales, increased to 13.4% in the fourth quarter of 2015, compared to 13.2% for the prior year quarter.

Selling, general and administrative dollars increased in the fourth quarter of 2015 to \$69.0 million from \$63.0 million in the prior year quarter and slightly increased as a percentage of net sales to 10.1% from 10.0%. Included in these totals were \$0.3 million of start-up and transition costs related to our new advanced configuration and distribution center, which was operational at the end of the third quarter. We continue to invest in technical solution sales capabilities and expect SG&A expenses to rise accordingly. However, we are highly focused on improving efficiencies and streamlining wherever possible.

The Company generated significant cash flow during the year ended December 31, 2015. Total cash was \$80.2 million at December 31, 2015, compared to \$60.9 million at December 31, 2014. In January 2016, we paid a 40 cent per share special dividend to shareholders, which totaled \$10.6 million. Days sales outstanding were 44 days at December 31, 2015, and inventory turns were 22 turns in the fourth quarter of 2015.

"The Company had record performance in both net sales and net income this quarter and for the year ended December 31, 2015. We were able to increase sales and earnings, while continuing to make investments to strengthen our capabilities as a leading National Solutions Provider," said Timothy McGrath, President and Chief Executive Officer. "Also, for the fifth consecutive year, we paid a special dividend to shareholders. We believe our team and the strategies we have in place position us well to gain market share and increase long-term shareholder value."

**Non-GAAP Financial Information**

Adjusted EBITDA is a non-GAAP financial measure. This information is included to provide information with respect to the Company's operating performance and earnings.

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**About PC Connection, Inc.**

PC Connection, Inc., a Fortune 1000 company, has three wholly owned sales subsidiaries: PC Connection Sales Corporation, MoreDirect, Inc., and GovConnection, Inc., headquartered in Merrimack, NH; Boca Raton, FL; and Rockville, MD; respectively. All three companies can deliver custom-configured computer systems overnight from our ISO 9001:2008 certified technical configuration lab at our distribution center in Wilmington, OH. In addition, the company has over 2,500 technical certifications to ensure that we can solve the most complex issues of our customers. Investors and media can find more information about PC Connection, Inc. at <http://ir.pcconnection.com>.

PC Connection Sales Corporation (800-800-5555), the original business of PC Connection, Inc. serving primarily the small- and medium-sized business sector, is a rapid-response provider of IT products and services. It offers more than 300,000 brand-name products through its staff of technically trained sales account managers, catalogs, publications, and its website at [www.pcconnection.com](http://www.pcconnection.com). This company also serves consumer and small office users and is, under its MacConnection brand (800-800-2222), one of Apple's largest authorized online resellers at [www.macconnection.com](http://www.macconnection.com).

MoreDirect, Inc. (561-237-3300), [www.moredirect.com](http://www.moredirect.com), provides corporate technology buyers with best-in-class IT solutions, in-depth IT supply-chain expertise, and access to over 300,000 products and 1,600 vendors through TRAXX™, our proprietary cloud-based eProcurement system. MoreDirect's team of engineers, software licensing specialists, and project managers help reduce the cost and complexity of buying hardware, software, and services throughout the entire IT lifecycle.

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

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“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 and environment, 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 the ability of the Company to manage costs in response to fluctuations in revenue, and other risks that could cause actual results to differ materially from expectations, including those detailed under the caption “Risk Factors” in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2014. More specifically, the statements in this release concerning the Company’s outlook for selling, general, and administrative expenses, the Company’s efforts in improving efficiencies and streamlining its business and other statements of a non-historical basis (including statements regarding the Company’s ability to increase market share and enhance long-term shareholder value and the Company’s continuing investments in technical solution sales capabilities) 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, the ability of the Company to gain or maintain market share, and the ability of the Company to hire and retain qualified sales representatives and other essential personnel. The Company disclaims any obligation to update the information in this press release or revise any forward-looking statements, whether as a result of any new information, future events, or otherwise.

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**CONSOLIDATED SELECTED FINANCIAL INFORMATION****At or for the Three Months Ended December 31,**

	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<i>(Amounts and shares in thousands, except operating data, P/E ratio, and per share data)</i>			
<b>Operating Data:</b>			
Net sales	\$ 684,323	\$ 630,765	8%
Diluted earnings per share	\$ 0.51	\$ 0.45	13%
Gross margin	13.4%	13.2%	
Operating margin	3.3%	3.2%	
Return on equity (1)	12.5%	12.5%	
Inventory turns	22	26	
Days sales outstanding	44	40	
	<b>% of</b>	<b>% of</b>	
	<b>Net Sales</b>	<b>Net Sales</b>	
<b>Product Mix:</b>			
Notebooks/Mobility	20%	20%	
Software	20	18	
Servers/Storage	12	14	
Net/Com Products	10	10	
Other Hardware/Services	38	38	
<b>Total Net Sales</b>	<b>100%</b>	<b>100%</b>	

**Stock Performance Indicators:**

Actual shares outstanding	26,498	26,343
Total book value per share	\$ 14.81	\$ 13.44
Tangible book value per share	\$ 12.81	\$ 11.42
Closing price	\$ 22.64	\$ 24.55
Market capitalization	\$ 599,915	\$ 646,721
Trailing price/earnings ratio	12.9	15.3
LTM Adjusted EBITDA (2)	\$ 88,509	\$ 80,475
Adjusted market capitalization/LTM Adjusted EBITDA (3)	5.9	7.3

(1) Based on last twelve months' net income.

(2) Adjusted EBITDA is defined as EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for stock-based compensation.

(3) Adjusted market capitalization is defined as gross market capitalization less cash balance.

**REVENUE AND MARGIN INFORMATION****For the Three Months Ended December 31,**

	<b>2015</b>		<b>2014</b>	
	<b>Net Sales</b>	<b>Gross Margin</b>	<b>Net Sales</b>	<b>Gross Margin</b>
<i>(amounts in thousands)</i>				
SMB	\$ 262,646	15.9%	\$ 261,661	15.2%
Large Account	276,980	11.6	225,609	11.6
Public Sector	144,697	12.3	143,495	11.9
Total	<u>\$ 684,323</u>	13.4%	<u>\$ 630,765</u>	13.2%



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**CONDENSED CONSOLIDATED STATEMENTS OF INCOME****Three Months Ended December 31,***(amounts in thousands, except per share data)*

	2015		2014	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 684,323	100.0%	\$ 630,765	100.0%
Cost of sales	592,472	86.6	547,641	86.8
<b>Gross profit</b>	<b>91,851</b>	<b>13.4</b>	<b>83,124</b>	<b>13.2</b>
Start-up costs - new distribution center	296	—	—	—
Selling, general and administrative expenses, other	68,664	10.1	63,035	10.0
<b>Income from operations</b>	<b>22,891</b>	<b>3.3</b>	<b>20,089</b>	<b>3.2</b>
Interest/other expense, net	(20)	—	(14)	—
Income tax provision	(9,258)	(1.3)	(8,131)	(1.3)
<b>Net income</b>	<b>\$ 13,613</b>	<b>2.0%</b>	<b>\$ 11,944</b>	<b>1.9%</b>
Earnings per common share:				
Basic	\$ 0.51		\$ 0.45	
Diluted	\$ 0.51		\$ 0.45	
Shares used in the computation of earnings per common share:				
Basic	26,459		26,311	
Diluted	26,632		26,554	

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**CONDENSED CONSOLIDATED STATEMENTS OF INCOME****Years Ended December 31,***(amounts in thousands, except per share data)*

	2015		2014	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 2,573,973	100.0%	\$ 2,463,339	100.0%
Cost of sales	2,232,954	86.8	2,139,950	86.9
<b>Gross profit</b>	<b>341,019</b>	<b>13.2</b>	<b>323,389</b>	<b>13.1</b>
Start-up costs - new distribution center	1,026	—	—	—
Selling, general and administrative expenses, other	261,439	10.2	251,935	10.2
<b>Income from operations</b>	<b>78,554</b>	<b>3.0</b>	<b>71,454</b>	<b>2.9</b>
Interest/other expense, net	(87)	—	(86)	—
Income tax provision	(31,640)	(1.2)	(28,687)	(1.2)
<b>Net income</b>	<b>\$ 46,827</b>	<b>1.8%</b>	<b>\$ 42,681</b>	<b>1.7%</b>
Earnings per common share:				
Basic	\$ 1.77		\$ 1.63	
Diluted	\$ 1.76		\$ 1.61	
Shares used in the computation of earnings per common share:				
Basic	26,398		26,246	
Diluted	26,616		26,512	

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**EBITDA AND ADJUSTED EBITDA**

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A reconciliation of EBITDA and Adjusted EBITDA is detailed below. Adjusted EBITDA is defined as EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for stock-based compensation. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either includes or excludes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance including our ability to fund our future capital expenditures and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our credit agreements.

(amounts in thousands)

	Three Months Ended December 31,			Years Ended December 31,		
	2015	2014	% Change	2015	2014	% Change
<b>Net income</b>	\$ 13,613	\$ 11,944		\$ 46,827	\$ 42,681	
Depreciation and amortization	2,364	2,095		8,961	8,092	
Income tax expense	9,258	8,131		31,640	28,687	
Interest/other expense, net	20	14		87	86	
<b>EBITDA</b>	<u>25,255</u>	<u>22,184</u>		<u>87,515</u>	<u>79,546</u>	
Stock-based compensation	274	228		994	929	
<b>Adjusted EBITDA</b>	<u>\$ 25,529</u>	<u>\$ 22,412</u>	14%	<u>\$ 88,509</u>	<u>\$ 80,475</u>	10%

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

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(amounts in thousands)

	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 80,188	\$ 60,909
Accounts receivable, net	356,145	293,027
Inventories	102,780	90,917
Deferred income taxes	7,909	7,749
Prepaid expenses and other current assets	4,254	5,332
Income taxes receivable	1,575	212
<b>Total current assets</b>	<u>552,851</u>	<u>458,146</u>
Property and equipment, net	32,227	27,861
Goodwill	51,276	51,276
Other intangibles, net	1,668	1,953
Other assets	1,052	724
<b>Total Assets</b>	<u>\$ 639,074</u>	<u>\$ 539,960</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 166,516	\$ 124,893
Accrued expenses and other liabilities	36,207	22,011
Accrued payroll	19,280	17,793
<b>Total current liabilities</b>	<u>222,003</u>	<u>164,697</u>
Deferred income taxes	21,615	18,803
Other liabilities	3,005	2,452
<b>Total Liabilities</b>	<u>246,623</u>	<u>185,952</u>
Stockholders' Equity:		
Common stock	284	282
Additional paid-in capital	109,161	106,956
Retained earnings	298,868	262,632
Treasury stock at cost	(15,862)	(15,862)
<b>Total Stockholders' Equity</b>	<u>392,451</u>	<u>354,008</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 639,074</u>	<u>\$ 539,960</u>

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended December 31,**

**2015**

**2014**

*(amounts in thousands)*

**Cash Flows from Operating Activities:**

Net income	\$ 46,827	\$ 42,681
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,961	8,092
Provision for doubtful accounts	1,097	1,383
Stock-based compensation expense	994	929
Deferred income taxes	2,652	1,212
Loss on disposal of fixed assets	44	14
Excess tax benefit from exercise of equity awards	(552)	(556)
Changes in assets and liabilities:		
Accounts receivable	(64,215)	(11,359)
Inventories	(11,863)	(11,776)
Prepaid expenses and other current assets	(285)	1,829
Other non-current assets	(328)	(4)
Accounts payable	41,324	202
Accrued expenses and other liabilities	6,206	2,751
Net cash provided by operating activities	<u>30,862</u>	<u>35,398</u>

**Cash Flows from Investing Activities:**

Purchases of equipment	(12,337)	(7,609)
Purchase of intangible asset	(450)	-
Proceeds from sale of equipment	-	13
Net cash used for investing activities	<u>(12,787)</u>	<u>(7,596)</u>

**Cash Flows from Financing Activities:**

Dividend payment	-	(10,527)
Issuance of stock under Employee Stock Purchase Plan	875	753
Excess tax benefit from exercise of equity awards	552	556
Exercise of stock options	437	356
Payment of payroll taxes on stock-based compensation through shares withheld	(660)	(578)
Net cash provided by (used for) financing activities	<u>1,204</u>	<u>(9,440)</u>
Increase in cash and cash equivalents	19,279	18,362
Cash and cash equivalents, beginning of period	60,909	42,547
Cash and cash equivalents, end of period	<u>\$ 80,188</u>	<u>\$ 60,909</u>

**Non-cash Investing Activities:**

Dividend declaration	\$ 10,591	\$ -
Accrued capital expenditures	\$ 504	\$ 205

**Supplemental Cash Flow Information:**

Income taxes paid	\$ 30,371	\$ 24,219
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**CONTACT:**

PC Connection, Inc.

Joseph Driscoll, 603-683-2505

Senior Vice President, Treasurer and Chief Financial Officer