
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2025

OR

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

For the transition period from to

Commission file number: 0-23827

PC CONNECTION, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

02-0513618

(I.R.S. Employer Identification No.)

730 Milford Road

Merrimack, New Hampshire

(Address of principal executive offices)

03054

(Zip Code)

(603) 683-2000

(Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report: N/A

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	CNXN	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the issuer's common stock as of July 23, 2025 was 25,389,003.

PC CONNECTION, INC. AND SUBSIDIARIES
FORM 10-Q

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

PC CONNECTION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(amounts in thousands)

	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 186,744	\$ 178,318
Short-term investments	159,350	264,295
Accounts receivable, net	637,037	611,433
Inventories, net	133,487	95,054
Prepaid expenses and other current assets	22,449	17,750
Total current assets	1,139,067	1,166,850
Property and equipment, net	48,267	52,520
Right-of-use assets	2,219	3,077
Goodwill	73,602	73,602
Intangibles, net	1,599	2,209
Other assets	4,523	1,096
Total Assets	<u>\$ 1,269,277</u>	<u>\$ 1,299,354</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 303,756	\$ 300,242
Accrued payroll	23,444	23,330
Accrued expenses and other liabilities	41,076	47,633
Total current liabilities	368,276	371,205
Deferred income taxes	15,031	15,091
Non-current operating lease liabilities	634	1,552
Other liabilities	516	516
Total Liabilities	384,457	388,364
Stockholders' Equity:		
Common stock	294	294
Additional paid-in capital	141,406	137,036
Retained earnings	868,016	837,466
Accumulated other comprehensive (loss) income	(53)	174
Treasury stock, at cost	(124,843)	(63,980)
Total Stockholders' Equity	884,820	910,990
Total Liabilities and Stockholders' Equity	<u>\$ 1,269,277</u>	<u>\$ 1,299,354</u>

See notes to unaudited condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(amounts in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net sales	\$ 759,693	\$ 736,479	\$ 1,460,739	\$ 1,368,504
Cost of sales	621,927	599,937	1,195,662	1,113,890
Gross profit	137,766	136,542	265,077	254,614
Selling, general and administrative expenses	106,869	105,208	216,728	209,816
Severance expenses	—	415	2,930	415
Income from operations	30,897	30,919	45,419	44,383
Interest income, net	3,216	4,649	7,116	9,216
Other income	—	—	76	—
Income before taxes	34,113	35,568	52,611	53,599
Income tax provision	(9,324)	(9,407)	(14,341)	(14,284)
Net income	<u>\$ 24,789</u>	<u>\$ 26,161</u>	<u>\$ 38,270</u>	<u>\$ 39,315</u>
Earnings per common share:				
Basic	\$ 0.98	\$ 0.99	\$ 1.49	\$ 1.49
Diluted	<u>\$ 0.97</u>	<u>\$ 0.99</u>	<u>\$ 1.48</u>	<u>\$ 1.48</u>
Shares used in computation of earnings per common share:				
Basic	25,405	26,348	25,739	26,355
Diluted	<u>25,520</u>	<u>26,520</u>	<u>25,860</u>	<u>26,522</u>

See notes to unaudited condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(Unaudited)
(amounts in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Net income	\$ 24,789	\$ 26,161	\$ 38,270	\$ 39,315
Other comprehensive loss:				
Unrealized losses on available-for-sale investments, net of tax of \$30 and \$60 for the three and six months ended June 30, 2025, respectively, and net of tax of \$11 and \$49 for the three and six months ended June 30, 2024, respectively	(114)	(41)	(227)	(184)
Comprehensive income	<u>\$ 24,675</u>	<u>\$ 26,120</u>	<u>\$ 38,043</u>	<u>\$ 39,131</u>

See notes to unaudited condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(amounts in thousands)

	Three Months Ended June 30, 2025							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance - March 31, 2025	29,415	\$ 294	\$ 138,725	\$ 847,037	\$ 61	(3,787)	\$ (109,142)	\$ 876,975
Stock-based compensation expense	—	—	2,461	—	—	—	—	2,461
Restricted stock units vested	13	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(399)	—	—	—	—	(399)
Repurchase of common stock for treasury	—	—	—	—	—	(255)	(15,701)	(15,701)
Issuance of common stock under Employee Stock Purchase Plan	10	—	619	—	—	—	—	619
Dividend declaration (\$0.15 per share)	—	—	—	(3,810)	—	—	—	(3,810)
Net income	—	—	—	24,789	—	—	—	24,789
Other comprehensive loss, net of tax	—	—	—	—	(114)	—	—	(114)
Balance - June 30, 2025	<u>29,438</u>	<u>\$ 294</u>	<u>\$ 141,406</u>	<u>\$ 868,016</u>	<u>\$ (53)</u>	<u>(4,042)</u>	<u>\$ (124,843)</u>	<u>\$ 884,820</u>

	Three Months Ended June 30, 2024							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance - March 31, 2024	29,271	\$ 293	\$ 132,596	\$ 771,416	\$ (62)	(2,905)	\$ (51,571)	\$ 852,672
Stock-based compensation expense	—	—	2,248	—	—	—	—	2,248
Restricted stock units vested	14	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(414)	—	—	—	—	(414)
Repurchase of common stock for treasury	—	—	—	—	—	(57)	(3,600)	(3,600)
Issuance of common stock under Employee Stock Purchase Plan	9	—	537	—	—	—	—	537
Dividend declaration (\$0.10 per share)	—	—	—	(2,635)	—	—	—	(2,635)
Net income	—	—	—	26,161	—	—	—	26,161
Other comprehensive loss, net of tax	—	—	—	—	(41)	—	—	(41)
Balance - June 30, 2024	<u>29,294</u>	<u>\$ 293</u>	<u>\$ 134,967</u>	<u>\$ 794,942</u>	<u>\$ (103)</u>	<u>(2,962)</u>	<u>\$ (55,171)</u>	<u>\$ 874,928</u>

See notes to unaudited condensed consolidated financial statements.

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Six Months Ended June 30, 2025

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance - December 31, 2024	29,390	\$ 294	\$ 137,036	\$ 837,466	\$ 174	(3,090)	\$ (63,980)	\$ 910,990
Stock-based compensation expense	—	—	4,669	—	—	—	—	4,669
Restricted stock units vested	38	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(918)	—	—	—	—	(918)
Repurchase of common stock for treasury	—	—	—	—	—	(952)	(60,863)	(60,863)
Issuance of common stock under Employee Stock Purchase Plan	10	—	619	—	—	—	—	619
Dividend declaration (\$0.15 per share)	—	—	—	(7,720)	—	—	—	(7,720)
Net income	—	—	—	38,270	—	—	—	38,270
Other comprehensive loss, net of tax	—	—	—	—	(227)	—	—	(227)
Balance - June 30, 2025	<u>29,438</u>	<u>\$ 294</u>	<u>\$ 141,406</u>	<u>\$ 868,016</u>	<u>\$ (53)</u>	<u>(4,042)</u>	<u>\$ (124,843)</u>	<u>\$ 884,820</u>

Six Months Ended June 30, 2024

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance - December 31, 2023	29,262	\$ 293	\$ 130,878	\$ 760,898	\$ 81	(2,902)	\$ (51,383)	\$ 840,767
Stock-based compensation expense	—	—	4,197	—	—	—	—	4,197
Restricted stock units vested	23	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(645)	—	—	—	—	(645)
Repurchase of common stock for treasury	—	—	—	—	—	(60)	(3,788)	(3,788)
Issuance of common stock under Employee Stock Purchase Plan	9	—	537	—	—	—	—	537
Dividend declaration (\$0.10 per share)	—	—	—	(5,271)	—	—	—	(5,271)
Net income	—	—	—	39,315	—	—	—	39,315
Other comprehensive loss, net of tax	—	—	—	—	(184)	—	—	(184)
Balance - June 30, 2024	<u>29,294</u>	<u>\$ 293</u>	<u>\$ 134,967</u>	<u>\$ 794,942</u>	<u>\$ (103)</u>	<u>(2,962)</u>	<u>\$ (55,171)</u>	<u>\$ 874,928</u>

See notes to unaudited condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(amounts in thousands)

	Six Months Ended	
	June 30,	
	2025	2024
Cash Flows (used in) provided by Operating Activities:		
Net income	\$ 38,270	\$ 39,315
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,965	6,539
Adjustments to credit losses reserve	1,058	410
Stock-based compensation expense	4,669	4,197
Deferred income taxes	—	1,623
Amortization of discount on short-term investments, net	(1,672)	(5,593)
Gain on sale of short-term investments	(76)	—
Loss on disposal of fixed assets	20	36
Changes in assets and liabilities:		
Accounts receivable	(26,662)	7,598
Inventories	(38,433)	(12,434)
Prepaid expenses and other current assets	(4,142)	(5,823)
Other non-current assets	(1,629)	448
Accounts payable	3,368	53,172
Accrued expenses and other liabilities	(6,865)	6,188
Net cash (used in) provided by operating activities	(26,129)	95,676
Cash Flows provided by (used in) Investing Activities:		
Purchases of short-term investments	(52,358)	(203,278)
Proceeds from sale of short-term investments	108,763	—
Maturities of short-term investments	50,000	103,280
Purchases of property and equipment	(3,331)	(3,427)
Net cash provided by (used in) investing activities	103,074	(103,425)
Cash Flows used in Financing Activities:		
Proceeds from short-term borrowings	732	10,560
Repayment of short-term borrowings	(732)	(10,560)
Purchase of common stock for treasury shares	(60,464)	(3,613)
Payments for excise tax on treasury purchases	(36)	—
Dividend payments	(7,720)	(5,271)
Issuance of stock under Employee Stock Purchase Plan	619	537
Payment of payroll taxes on stock-based compensation through shares withheld	(918)	(645)
Net cash used in financing activities	(68,519)	(8,992)
Increase (decrease) in cash and cash equivalents	8,426	(16,741)
Cash and cash equivalents, beginning of period	178,318	144,954
Cash and cash equivalents, end of period	\$ 186,744	\$ 128,213
Non-cash Investing and Financing Activities:		
Accrued purchases of property and equipment	\$ 346	\$ 347
Accrued purchase of treasury shares	\$ 66	\$ 211
Accrued excise tax on treasury purchases	\$ 572	\$ 18
Supplemental Cash Flow Information:		
Income taxes paid	\$ 18,171	\$ 17,946
Interest paid	\$ —	\$ 2

See notes to unaudited condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(amounts in thousands, except per share data)

Note 1—Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of PC Connection, Inc. and its subsidiaries, or the Company, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC, regarding interim financial reporting and in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Such principles were applied on a basis consistent with the accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods reported and of the Company's financial condition as of the date of the interim balance sheet. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through the date of issuance of these financial statements. The operating results for the three and six months ended June 30, 2025 may not be indicative of the results expected for any succeeding quarter or the entire year ending December 31, 2025.

Certain amounts in the prior period's condensed consolidated financial statements have been reclassified to conform with the current period presentation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts and disclosures of assets and liabilities and the reported amounts and disclosures of revenue and expenses during the period. Management bases its estimates and judgments on the information available at the time and various other assumptions believed to be reasonable under the circumstances. By nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents and Investments

The Company considers all highly liquid short-term investments with original maturities of 90 days or less to be cash equivalents. The carrying value of the Company's cash equivalents approximates fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At the time of purchase, the Company determines the appropriate classification of investments based upon its intent with regard to such investments. All of the Company's investments are classified as available-for-sale. The Company classifies investments as short-term when their remaining contractual maturities are one year or less from the balance sheet date, and as long-term when the investment has a remaining contractual maturity of more than one year from the balance sheet date. The Company records investments at fair value with unrealized gains and losses recorded as a component of accumulated other comprehensive (loss) income on the condensed consolidated balance sheets.

Included in interest income, net on the condensed consolidated statements of income is interest income on cash equivalents and short-term investments of \$3,217 and \$7,018 for the three and six months ended June 30, 2025, respectively, and \$4,655 and \$9,220 for the three and six months ended June 30, 2024, respectively.

Treasury Stock, at Cost

The total repurchases for the six months ended June 30, 2025 and 2024 were recorded as treasury stock of \$60,863 and \$3,788, respectively. Such costs reflect the applicable one percent excise tax imposed by the Inflation Reduction Act of 2022 on the net value of certain stock repurchases made after December 31, 2022.

Severance Expenses

The severance expenses recorded for the six months ended June 30, 2025 and the three and six months ended June 30, 2024 were related to involuntary reductions in the Company's workforce to lower the Company's cost structure and included cash severance and other related termination benefits. The majority of these costs are expected to be paid within a year of the applicable termination. Included in accrued expenses and other liabilities on the condensed consolidated balance sheets as of June 30, 2025 was \$1,394 related to unpaid severance expenses.

Recently Issued Financial Accounting Standards

In December 2023, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This guidance is intended to improve the transparency of income tax disclosures through, among other things, enhancement of the disclosure requirements within the rate reconciliation, as well as increased income tax disaggregation disclosures. This ASU is effective for the Company's annual reporting periods beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statement disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This guidance is intended to provide more detailed disclosure about certain costs and expenses presented in the income statement, including inventory purchases, employee compensation, selling expenses, and depreciation expense. This ASU is effective for the Company's annual reporting periods beginning January 1, 2027, and for interim reporting periods beginning January 1, 2028, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Note 2—Revenue

The Company disaggregates revenue from its arrangements with customers by type of products and services, as it believes this method best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

The following tables represent a disaggregation of revenue from arrangements with customers for the three months ended June 30, 2025 and 2024, along with the segment for each category (in thousands).

	Three Months Ended June 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	\$ 97,683	\$ 106,075	\$ 57,460	\$ 261,218
Desktops	57,713	28,559	17,020	103,292
Software	23,389	37,576	7,641	68,606
Servers/Storage	21,724	34,127	15,432	71,283
Net/Com Products	23,532	19,496	11,368	54,396
Displays and Sound	30,052	23,595	13,657	67,304
Accessories	44,142	24,515	10,004	78,661
Other Hardware/Services	27,776	19,225	7,932	54,933
Total Net sales	<u>\$ 326,011</u>	<u>\$ 293,168</u>	<u>\$ 140,514</u>	<u>\$ 759,693</u>

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	Three Months Ended June 30, 2024			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	\$ 89,802	\$ 97,841	\$ 69,816	\$ 257,459
Desktops	52,680	20,105	12,792	85,577
Software	21,628	37,775	9,571	68,974
Servers/Storage	15,691	34,056	13,640	63,387
Net/Com Products	19,107	19,845	14,312	53,264
Displays and Sound	37,265	19,981	16,745	73,991
Accessories	38,645	28,663	11,470	78,778
Other Hardware/Services	23,990	19,932	11,127	55,049
Total Net sales	\$ 298,808	\$ 278,198	\$ 159,473	\$ 736,479

The following tables represent a disaggregation of revenue from arrangements with customers for the six months ended June 30, 2025 and 2024, along with the segment for each category (in thousands).

	Six Months Ended June 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	\$ 185,225	\$ 208,421	\$ 125,038	\$ 518,684
Desktops	111,185	52,352	29,879	193,416
Software	56,834	69,762	16,373	142,969
Servers/Storage	39,626	54,417	27,367	121,410
Net/Com Products	41,787	37,511	21,220	100,518
Displays and Sound	53,064	42,903	24,199	120,166
Accessories	83,949	48,175	25,733	157,857
Other Hardware/Services	52,344	38,012	15,363	105,719
Total Net sales	\$ 624,014	\$ 551,553	\$ 285,172	\$ 1,460,739

	Six Months Ended June 30, 2024			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	\$ 180,033	\$ 189,997	\$ 108,698	\$ 478,728
Desktops	90,717	38,223	21,539	150,479
Software	48,748	68,427	15,121	132,296
Servers/Storage	28,058	55,667	22,146	105,871
Net/Com Products	39,069	41,690	19,917	100,676
Displays and Sound	68,529	41,733	27,348	137,610
Accessories	80,177	59,036	19,066	158,279
Other Hardware/Services	46,136	39,294	19,135	104,565
Total Net sales	\$ 581,467	\$ 534,067	\$ 252,970	\$ 1,368,504

Contract Balances

The following table provides information about contract liabilities from arrangements with customers as of June 30, 2025 and December 31, 2024 (in thousands).

	June 30, 2025	December 31, 2024
Contract liabilities, which are included in accrued expenses and other liabilities	\$ 10,227	\$ 10,290

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Changes in the contract liability balances during the six months ended June 30, 2025 and 2024 are as follows (in thousands):

	2025
Balance at December 31, 2024	\$ 10,290
Cash received in advance and not recognized as revenue	25,180
Amounts recognized as revenue as performance obligations satisfied	(25,243)
Balance at June 30, 2025	<u>\$ 10,227</u>
	2024
Balance at December 31, 2023	\$ 4,206
Cash received in advance and not recognized as revenue	9,769
Amounts recognized as revenue as performance obligations satisfied	(6,875)
Balance at June 30, 2024	<u>\$ 7,100</u>

Note 3—Fair Value Measurements

Cash equivalents and short-term investments as of June 30, 2025 and December 31, 2024 consist of the following (in thousands):

	June 30, 2025			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
Cash equivalents:				
Money market funds	\$ 169,235	\$ —	\$ —	\$ 169,235
Short-term investments:				
U.S. Government treasury securities	159,417	1	(68)	159,350
Total	<u>\$ 328,652</u>	<u>\$ 1</u>	<u>\$ (68)</u>	<u>\$ 328,585</u>
	December 31, 2024			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
Cash equivalents:				
Money market funds	\$ 161,094	\$ —	\$ —	\$ 161,094
Short-term investments:				
U.S. Government treasury securities	264,074	309	(88)	264,295
Total	<u>\$ 425,168</u>	<u>\$ 309</u>	<u>\$ (88)</u>	<u>\$ 425,389</u>

Investments with maturities of 90 days or less from the date of purchase are classified as cash equivalents; investments with maturities of greater than 90 days from the date of purchase but less than one year are generally classified as short-term investments; and investments with maturities of one year or greater from the date of purchase are generally classified as long-term investments. All short-term investments had stated maturity dates of less than one year. The Company has recorded the securities at fair value on its condensed consolidated balance sheets and unrealized gains and losses are reported as a component of accumulated other comprehensive (loss) income. The amount of realized gains and losses reclassified into earnings and the related adjustments to deferred taxes are based on the specific identification of the securities sold or securities that reached maturity date.

Fair Value

The Company measures certain financial assets at fair value. Fair value is determined based upon the exit price that would be received to sell an asset in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques are classified based on a three-level hierarchy, as follows:

- Level 1 inputs: Quoted prices for identical assets or liabilities in active markets;
- Level 2 inputs: Observable inputs other than those described as Level 1; and
- Level 3 inputs: Unobservable inputs that are supported by little or no market activities and are based on significant assumptions and estimates.

As of June 30, 2025 and December 31, 2024, the fair values of the Company's investments were all measured using level 1 inputs.

Note 4—Earnings Per Share

Basic earnings per common share is computed using the weighted average number of shares outstanding. Diluted earnings per share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributable to non-vested stock units and stock options outstanding, if dilutive.

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2025 and 2024 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Numerator:				
Net income	\$ 24,789	\$ 26,161	\$ 38,270	\$ 39,315
Denominator:				
Denominator for basic earnings per share	\$ 25,405	\$ 26,348	\$ 25,739	\$ 26,355
Dilutive effect of employee stock awards	115	172	121	167
Denominator for diluted earnings per share	\$ 25,520	\$ 26,520	\$ 25,860	\$ 26,522
Earnings per share:				
Basic	\$ 0.98	\$ 0.99	\$ 1.49	\$ 1.49
Diluted	\$ 0.97	\$ 0.99	\$ 1.48	\$ 1.48

For the three and six months ended June 30, 2025 and 2024, the Company had no outstanding non-vested stock units that were excluded from the computation of diluted earnings per share because including them would have had an anti-dilutive effect.

Note 5—Leases

The Company leases certain facilities from a related party, which is a company affiliated with it through common ownership.

As of June 30, 2025, there were no additional significant operating leases that have not yet commenced. Refer to the following table for quantitative information related to the Company's leases for the three and six months ended June 30, 2025 and 2024 (dollars in thousands):

	Three Months Ended June 30, 2025			Six Months Ended June 30, 2025		
	Related Parties	Others	Total	Related Parties	Others	Total
Lease Cost						
Capitalized operating lease cost	\$ —	\$ 461	\$ 461	\$ —	\$ 922	\$ 922
Short-term lease cost	420	148	568	840	296	1,136
Total lease cost	<u>\$ 420</u>	<u>\$ 609</u>	<u>\$ 1,029</u>	<u>\$ 840</u>	<u>\$ 1,218</u>	<u>\$ 2,058</u>

Other Information

Cash paid for amounts included in the measurement of lease liabilities and capitalized operating leases:

Operating cash flows	\$ —	\$ 512	\$ 512	\$ —	\$ 1,025	\$ 1,025
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Weighted-average remaining lease term (in years):

Capitalized operating leases	—	1.63	1.63
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Weighted-average discount rate:

Capitalized operating leases	0.00%	4.32%	4.32%
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	Three Months Ended June 30, 2024			Six Months Ended June 30, 2024		
	Related Parties	Others	Total	Related Parties	Others	Total
Lease Cost						
Capitalized operating lease cost	\$ —	\$ 485	\$ 485	\$ —	\$ 944	\$ 944
Short-term lease cost	421	140	561	841	281	1,122
Total lease cost	<u>\$ 421</u>	<u>\$ 625</u>	<u>\$ 1,046</u>	<u>\$ 841</u>	<u>\$ 1,225</u>	<u>\$ 2,066</u>

Other Information

Cash paid for amounts included in the measurement of lease liabilities and capitalized operating leases:

Operating cash flows	\$ —	\$ 532	\$ 532	\$ —	\$ 977	\$ 977
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Weighted-average remaining lease term (in years):

Capitalized operating leases	—	2.43	2.43
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Weighted-average discount rate:

Capitalized operating leases	3.92%	4.28%	4.21%
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As of June 30, 2025, future lease payments over the remaining term of capitalized operating leases were as follows (in thousands):

For the Years Ended December 31,	
2025, excluding the six months ended June 30, 2025	\$ 1,037
2026	1,205
2027	237
2028	161
2029	—
Thereafter	—
	<u>2,640</u>
Imputed interest	(89)
Lease liability balance at June 30, 2025	<u>\$ 2,551</u>

As of June 30, 2025, the right-of-use, or ROU, asset had a balance of \$2,219. The long-term lease liability was \$634 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was \$1,917. As of December 31, 2024, the ROU asset had a balance of \$3,077. The long-term lease liability was \$1,552 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was \$1,805.

Note 6—Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income, which is included as a component of stockholders’ equity, is comprised of unrealized gains and losses on short-term investments, net of tax. The changes in accumulated other comprehensive (loss) income were as follows (in thousands):

	Six Months Ended June 30, 2025	
Balance - December 31, 2024	\$	174
Other comprehensive loss before reclassifications, net of tax		(56)
Less amounts reclassified from accumulated other comprehensive (loss) income, net of tax		171
Net other comprehensive loss		(227)
Balance - June 30, 2025	<u>\$</u>	<u>(53)</u>

	Six Months Ended June 30, 2024	
Balance - December 31, 2023	\$	81
Other comprehensive loss before reclassifications, net of tax		(158)
Less amounts reclassified from accumulated other comprehensive (loss) income, net of tax		26
Net other comprehensive loss		(184)
Balance - June 30, 2024	<u>\$</u>	<u>(103)</u>

Included in amounts reclassified from accumulated other comprehensive (loss) income, net of tax for the six months ended June 30, 2025 is \$76 of realized gain, which is included in “Other income” on the unaudited condensed consolidated statements of income.

Note 7—Segment Information

The internal reporting structure used by the Company’s chief operating decision maker, or CODM, to assess performance and allocate resources determines the basis for the Company’s operating segments. The Company’s operations are organized under three reporting segments—the Enterprise Solutions segment, which serves primarily medium-to-large corporations; the Business Solutions segment, which serves primarily small- to medium-sized businesses; and the Public Sector Solutions segment, which serves primarily federal, state, and local government and educational institutions. In addition, the Headquarters/Other provides services in areas such as finance, human resources, IT, marketing, and product management. Most of the operating costs associated with the Headquarters/Other functions are charged to the operating segments based on their estimated usage of the underlying functions. The Company reports

these charges to the operating segments as “Allocations”. Headquarters/Other amounts that are not allocated to the operating segments are shown as reconciling items in the tables below.

The Company’s CODM is its Chief Executive Officer, and he assesses the segments’ performance by using each segments’ operating income (which includes certain corporate overhead allocations attributable to each of the segments). Net sales presented below exclude inter-segment product revenues. The CODM uses operating income for each segment in the annual budget, periodic forecasting, and quarterly results processes.

Segment information applicable to the Company’s operating segments and the related reconciliations to consolidated amounts for the three and six months ended June 30, 2025 and 2024 are shown below (in thousands):

	Three Months Ended June 30, 2025			Total
	Enterprise Solutions	Business Solutions	Public Sector Solutions	
Net sales	\$ 326,011	\$ 293,168	\$ 140,514	<u>\$ 759,693</u>
Cost of sales	278,389	224,319	119,219	
Personnel costs	16,995	17,662	9,273	
Marketing	787	2,564	575	
Allocated corporate overhead	18,069	21,521	10,761	
Depreciation and amortization	195	155	22	
Other segment expenses ¹	1,230	1,383	2,796	
Operating income (loss)	<u>\$ 10,346</u>	<u>\$ 25,564</u>	<u>\$ (2,132)</u>	\$ 33,778
Unallocated Headquarters/Other expenses				(2,881)
Interest income, net				3,216
Income before taxes				<u>\$ 34,113</u>

	Six Months Ended June 30, 2025			Total
	Enterprise Solutions	Business Solutions	Public Sector Solutions	
Net sales	\$ 624,014	\$ 551,553	\$ 285,172	<u>\$ 1,460,739</u>
Cost of sales	534,094	417,297	244,271	
Personnel costs	33,165	35,437	18,859	
Marketing	2,884	7,403	1,659	
Allocated corporate overhead	36,359	42,997	21,499	
Depreciation and amortization	387	310	45	
Other segment expenses ¹	2,277	4,128	4,313	
Operating income (loss)	<u>\$ 14,848</u>	<u>\$ 43,981</u>	<u>\$ (5,474)</u>	\$ 53,355
Unallocated Headquarters/Other expenses				(7,936)
Interest income, net				7,116
Other income				76
Income before taxes				<u>\$ 52,611</u>
Segment assets	\$ 753,931	\$ 591,894	\$ 88,650	\$ 1,434,475
Headquarters/Other assets				(165,198)
Consolidated assets				<u>\$ 1,269,277</u>

	Three Months Ended June 30, 2024			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	\$ 298,808	\$ 278,198	\$ 159,473	<u>\$ 736,479</u>
Cost of sales	252,763	211,872	135,302	
Personnel costs	15,346	18,124	9,370	
Marketing	757	3,672	812	
Allocated corporate overhead	18,433	20,689	10,345	
Depreciation and amortization	221	147	23	
Other segment expenses ¹	1,058	1,465	907	
Operating income	<u>\$ 10,230</u>	<u>\$ 22,229</u>	<u>\$ 2,714</u>	\$ 35,173
Unallocated Headquarters/Other expenses				(4,254)
Interest income, net				4,649
Income before taxes				<u>\$ 35,568</u>

	Six Months Ended June 30, 2024			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	\$ 581,467	\$ 534,067	\$ 252,970	<u>\$ 1,368,504</u>
Cost of sales	492,688	407,377	213,825	
Personnel costs	30,815	36,087	17,661	
Marketing	2,644	8,002	1,995	
Allocated corporate overhead	36,815	41,197	20,599	
Depreciation and amortization	426	310	46	
Other segment expenses ¹	2,002	3,076	1,480	
Operating income (loss)	<u>\$ 16,077</u>	<u>\$ 38,018</u>	<u>\$ (2,636)</u>	\$ 51,459
Unallocated Headquarters/Other expenses				(7,076)
Interest income, net				9,216
Income before taxes				<u>\$ 53,599</u>

Segment assets	\$ 729,450	\$ 537,655	\$ 107,382	\$ 1,374,487
Headquarters/Other assets				(91,002)
Consolidated assets				<u>\$ 1,283,485</u>

- 1) Other segment expenses for each of the reportable segments include service contracts/subscriptions, professional fees, facilities operations, credit card fees, and other miscellaneous expenses.

The assets of the Company's three operating segments presented above consist primarily of accounts receivable, net intercompany receivables, goodwill, and other intangibles, net. Assets reported under the Headquarters/Other are managed by corporate headquarters, including cash and cash equivalents, short-term investments, inventories, property and equipment, ROU assets, and intercompany balance, net. As of June 30, 2025 and 2024, total assets for the Headquarters/Other were presented net of intercompany balance eliminations of \$46,339 and \$59,751, respectively. The Company's capital expenditures consist largely of IT hardware and software purchased to maintain or upgrade its management information systems. These information systems serve all of the Company's segments, to varying degrees, and accordingly, the CODM does not evaluate capital expenditures on a segment-by-segment basis.

Note 8—Commitments and Contingencies

The Company is subject to various legal proceedings and claims, which have arisen during the ordinary course of business. The outcomes of such matters are not expected to have a material, adverse effect on the Company's financial position, results of operations, and/or cash flows.

The Company is subject to audits by states on sales and income taxes, employment matters, and other assessments. Additional liabilities for these and other audits could be assessed, but such outcomes are not expected to have a material, adverse impact on the Company's financial position, results of operations, and/or cash flows.

Note 9—Bank Borrowings

The Company previously had a \$50,000 credit facility collateralized by its account receivables that expired March 31, 2025 that the Company elected not to renew or replace. Amounts outstanding under the credit facility bore interest at the daily Bloomberg Short-Term Bank Yield Index, or BSBY Rate, plus a spread based on the Company’s funded debt ratio, or in the absence of BSBY Rate, the prime rate (7.50% at March 31, 2025).

Cash receipts were automatically applied against any outstanding borrowings. During the six months ended June 30, 2025 and 2024, the Company borrowed incremental amounts that were each repaid in full. These borrowings for the six months ended June 30, 2025 and 2024 totaled \$732 and \$10,560, respectively; however, at no time were the outstanding borrowings greater than the \$50,000 limit under the credit facility. The Company had no outstanding borrowings under the credit facility immediately prior to the expiration of the credit facility, or as of June 30, 2024.

Note 10—Supplier Finance Programs

The Company has agreements with third-party financial institutions, instituted by request of participating suppliers, that allow for the ability to finance payment obligations from the Company. The third-party financial institutions have separate arrangements with the Company’s suppliers and provide them with the option to request early payment for invoices confirmed by the Company. The Company does not determine the terms or conditions of the arrangements between the third-parties and its suppliers and receives no compensation from the third-party financial institutions. The Company’s obligation to its suppliers, including amounts due and scheduled payment dates, are not impacted by the suppliers’ decisions to finance amounts under the arrangements. The payment terms under these arrangements are typical with industry standards and range from 30 to 50 days. The agreements with the financial institutions are collateralized by the inventory purchased through the financing agreements. The Company’s outstanding payment obligations under the supplier finance programs, which are included in accounts payable on the condensed consolidated balance sheets, were \$62,448 and \$47,763 at June 30, 2025 and December 31, 2024, respectively. The rollforward of the Company’s outstanding obligations confirmed as valid under the supplier finance programs for the six months ended June 30, 2025 is as follows (in thousands):

	2025
Confirmed obligations outstanding at December 31, 2024	\$ 47,763
Invoices confirmed	248,813
Confirmed invoices paid	(234,128)
Confirmed obligations outstanding at June 30, 2025	<u>\$ 62,448</u>

Note 11—Subsequent Events

The One Big Beautiful Bill Act, or OBBBA, was enacted on July 4, 2025. The OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through future years. We are currently assessing its impact on our consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements generally relate to future events or our future financial or operating performance and include statements concerning, among other things, our future financial results, business plans (including statements regarding new products and services we may offer and future expenditures, costs and investments), liabilities, impairment charges, competition, and the expected impact of current macroeconomic conditions on our businesses and results of operations. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "would," "should," "expects," "plans," "could," "intends," "target," "projects," "believes," "estimates," "anticipates," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. These statements reflect our current views and are based on assumptions as of the date of this report. Such assumptions are based upon internal estimates and other analyses of current market conditions and trends, management expectations, plans, and strategies, economic conditions, and other factors. These statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements.

Such differences may result from actions taken by us, including expense reduction or strategic initiatives (including reductions in force, capital investments and new or expanded product offerings or services), the execution of our business plans (including our inventory management, cost structure and management and other personnel decisions) or other business decisions, as well as from developments beyond our control, including:

- *macroeconomic factors facing the global economy, including disruptions in or increased volatility of the capital markets, changes in trade policy, which may include the imposition of tariffs or other trade barriers, economic sanctions and economic slowdowns or recessions, changes in tax policy, rising inflation and changing interest rates modifying our potential for investment income and the timing or reducing the level of investment our customers are willing to make in IT products;*
- *substantial competition reducing our market share;*
- *significant price competition reducing our profit margins;*
- *the loss of any of our major vendors adversely affecting the number or type of products we may offer;*
- *virtualization of information technology, or IT, resources and applications, including networks, servers, applications, and data storage disrupting or altering our traditional distribution models;*
- *service interruptions at third-party shippers negatively impacting our ability to deliver the products we offer to our customers;*
- *increases in shipping and postage costs reducing our margins and adversely affecting our results of operations;*
- *loss of key persons or the inability to attract, train and retain qualified personnel adversely affecting our ability to operate our business; and*
- *cyberattacks or the failure to safeguard personal information and our IT systems resulting in liability and harm to our reputation.*

Additional factors include those described in our Annual Report on Form 10-K for the year ended December 31, 2024, including under the captions "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," in our subsequent quarterly reports on Form 10-Q, including under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in the other subsequent filings we make with the Securities and Exchange Commission from time to time.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances. You should not place undue reliance on the forward-looking statements. We assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made except as required by law.

Unless the context otherwise requires, we use the terms "Connection", the "Company", "we", "us", and "our" in this Quarterly Report on Form 10-Q to refer to PC Connection, Inc. and its subsidiaries.

OVERVIEW

We are a Fortune 1000 Global Solutions Provider that simplifies the IT customer experience, guiding the connection between people and technology. Our dedicated account managers partner with customers to design, deploy, and support cutting-edge IT environments using the latest hardware, software, and services. We provide a wide range of IT solutions, from the desktop to the cloud—including computer systems, data center solutions, software and peripheral equipment, networking communications, and other products and accessories that we purchase from manufacturers, distributors, and other suppliers. Our Technology Solutions Organization, or TSO, and state-of-the-art Technology Integration and Distribution Center with ISO 9001:2015 certified technical configuration lab offer end-to-end services related to the design, configuration, and implementation of IT solutions. Our team also provides a comprehensive portfolio of managed services and professional services. These services are performed by our personnel and by third-party providers. Our GlobalServe offering ensures worldwide coverage for our multinational customers, delivering global procurement solutions through our network of in-country suppliers in over 150 countries.

The “Connection®” brand includes Connection Enterprise Solutions, Connection Business Solutions, and Connection Public Sector Solutions, which provide IT solutions and services to enterprise, small- to medium-sized businesses, and public sector markets.

Financial results for each of our segments are included in the financial statements attached hereto. We generate sales through (i) outbound inside sales and field sales contacts by sales representatives focused on the business, educational, healthcare, retail, manufacturing, and government markets, (ii) our websites, and (iii) direct responses from customers responding to our advertising media. We offer a broad selection of over 460,000 products at competitive prices, including products from vendors like Apple, Cisco, Dell Inc., Hewlett-Packard Inc., Hewlett-Packard Enterprise, Intel, Lenovo, Microsoft Corporation, and VMware, and we partner with more than 2,500 suppliers. We are able to leverage our state-of-the-art logistic capabilities to rapidly ship product to customers.

As a value-added reseller in the IT supply chain, we do not manufacture IT hardware or software products. We are dependent on our suppliers—manufacturers and distributors that historically have only sold to resellers rather than directly to end users. However, certain manufacturers have, on multiple occasions, sold or attempted to sell directly to our customers, and in some cases, have restricted our ability to sell their products directly to certain customers, thereby attempting to and, in some cases successfully, eliminate our role. We believe that the success of these direct sales efforts by manufacturers will depend on their ability to meet our customers’ ongoing demands and provide solutions to meet their needs. We believe more of our customers are seeking out comprehensive and integrated IT solutions, rather than the ability to acquire specific IT products on a one-off basis. Our advantage is our ability to be product-neutral and provide a broader combination of products, services, and advice tailored to our customers’ individual needs. By providing customers with customized solutions from a variety of manufacturers, we believe we can mitigate the negative impact of continued direct sales initiatives from individual manufacturers. Through the formation of our TSO, we are able to provide customers complete IT solutions, from identifying their needs, to designing, developing, and managing the integration of products and services to implement their IT projects. Such service offerings carry higher margins than traditional product sales. Additionally, the technical certifications of our service engineers permit us to offer higher-end, more complex products that generally carry higher gross margins. We expect these service offerings and technical certifications to continue to play a role in sales generation and gross margin improvements in this competitive environment.

The primary challenges we continue to face in effectively managing our business are (1) increasing our product and service revenues while at the same time improving our gross margin in all three segments, (2) recruiting, retaining, and improving the productivity of our sales and technical support personnel, and (3) effectively controlling our selling, general and administrative, or SG&A, expenses while making major investments in our IT systems and solution selling personnel, especially in relation to changing revenue levels.

To support future growth, we have invested and expect to continue to invest in our IT solutions business, which requires the addition of highly skilled service engineers. Although we expect to realize the ultimate benefit of higher-margin service revenues under this multi-year initiative, we believe that our cost of services will increase as we add additional service engineers. If our service revenues do not grow enough to offset the cost of these headcount additions, our operating results may be negatively impacted.

Market conditions and technology advances significantly affect the demand for our products and services. Virtual delivery of software products and advanced Internet technology providing customers enhanced functionality have substantially increased customer expectations, requiring us to invest on an ongoing basis in our own IT infrastructure to meet these new demands.

Our investments in IT infrastructure are designed to enable us to operate more efficiently and provide our customers enhanced functionality.

The new U.S. administration has announced or imposed a series of tariffs on U.S. trading partners. In response, several countries have threatened or imposed retaliatory measures. The imposition of new tariffs or increases in existing tariffs on goods imported from countries where our suppliers operate could result in increased inventory costs. These cost increases may reduce our margins or require us to raise prices. We continue to assess the impact of the tariffs on our supply chain. In addition, these actions and threatened actions and increased volatility in financial markets may affect customer decisions about the timing or size of IT investments.

RESULTS OF OPERATIONS

The following table sets forth information derived from our statements of income expressed as a percentage of net sales for the periods indicated (dollars in millions):

	Three Months Ended		Six Months Ended June 30,	
	June 30,	2024	2025	2024
Net sales	\$ 759.7	\$ 736.5	\$ 1,460.7	\$ 1,368.5
Gross margin	18.1 %	18.5 %	18.1 %	18.6 %
Selling, general and administrative expenses	14.1 %	14.3 %	14.8 %	15.3 %
Income from operations	4.1 %	4.2 %	3.1 %	3.2 %

Net sales of \$759.7 million for the second quarter of 2025 reflect an increase of \$23.2 million, or 3.2% compared to the second quarter of 2024. The increase was primarily driven by increases in net sales of desktops, servers/storage, notebooks/mobility, and net/com products of \$17.7 million, \$7.9 million, \$3.8 million, and \$1.1 million, respectively, as shown in the table in Note 2 “Revenue” in the Notes to our Unaudited Condensed Consolidated Financial Statements. These increases were partially offset by a decrease in net sales of displays and sound of \$6.7 million. Gross profit for the second quarter of 2025 increased year-over-year by \$1.3 million, or 0.9%, to \$137.8 million as illustrated in the table and the discussion beginning on page 21 of this Quarterly Report on Form 10-Q. Gross margin decreased to 18.1% from 18.5% a year ago. The decrease in gross margin was primarily driven by reduced software agency fees in the current period. SG&A expenses increased year-over-year by \$1.7 million, or 1.6%, to \$106.9 million. SG&A expenses as a percentage of net sales decreased to 14.1% compared to 14.3% a year ago. The increase in SG&A expenses is primarily due to an increase in professional fees as shown in the table on page 20 of this Quarterly Report on Form 10-Q. Operating income for the second quarter of 2025 remained substantially the same year-over-year both in dollars and as a percentage of net sales.

Net Sales Distribution

The following table sets forth our percentage of net sales by segment and product mix for the periods indicated:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Operating Segment				
Enterprise Solutions	43 %	40 %	43 %	43 %
Business Solutions	39	38	38	39
Public Sector Solutions	18	22	19	18
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>
Product Mix				
Notebooks/Mobility	34 %	35 %	36 %	35 %
Desktops	14	12	13	11
Software	9	9	10	10
Servers/Storage	9	9	8	8
Net/Com Products	7	7	7	7
Displays and Sound	9	10	8	10
Accessories	10	11	11	11
Other Hardware/Services	8	7	7	8
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Gross Profit Margin

The following table summarizes our gross margin, as a percentage of net sales, for the periods indicated:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Operating Segment				
Enterprise Solutions	14.6 %	15.4 %	14.4 %	15.3 %
Business Solutions	23.5	23.8	24.3	23.7
Public Sector Solutions	15.2	15.2	14.3	15.5
Total Company	<u>18.1 %</u>	<u>18.5 %</u>	<u>18.1 %</u>	<u>18.6 %</u>

Operating Expenses

The following table reflects our SG&A expenses for the periods indicated (dollars in millions):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Personnel costs	\$ 81.2	\$ 81.1	\$ 164.1	\$ 159.6
Marketing	4.4	5.2	12.4	12.6
Service contracts/subscriptions	6.4	5.7	13.2	11.7
Professional fees	4.9	3.1	8.1	6.5
Depreciation and amortization	2.9	3.2	6.0	6.5
Facilities operations	1.9	1.9	3.7	3.7
Credit card fees	1.6	1.7	3.0	3.3
Other	3.6	3.3	6.2	5.9
Total SG&A expense	<u>\$ 106.9</u>	<u>\$ 105.2</u>	<u>\$ 216.7</u>	<u>\$ 209.8</u>
As a percentage of net sales	<u>14.1 %</u>	<u>14.3 %</u>	<u>14.8 %</u>	<u>15.3 %</u>

Severance Expenses

There were no severance expenses incurred during the three months ended June 30, 2025. During the six months ended June 30, 2025, we undertook actions to lower our cost structure. In connection with these initiatives, we incurred severance expenses of \$2.9 million which included cash severance and other related termination benefits. We incurred severance expenses of \$0.4 million for each of the three and six months ended June 30, 2024.

Year-Over-Year Comparisons

In this section and elsewhere in this Quarterly Report on Form 10-Q we refer to changes in year-over-year results. Unless context otherwise requires, such references refer to changes between the three months ended June 30, 2025 and the three months ended June 30, 2024; and changes between the six months ended June 30, 2025 and the six months ended June 30, 2024.

Three Months Ended June 30, 2025 Compared to Three Months Ended June 30, 2024

Changes in net sales and gross profit by segment are shown in the following table (dollars in millions):

	Three Months Ended June 30,		Three Months Ended June 30,		\$ Change	% Change
	2025	% of Net Sales	2024	% of Net Sales		
Net Sales:						
Enterprise Solutions	\$ 326.0	42.9 %	\$ 298.8	40.5 %	\$ 27.2	9.1 %
Business Solutions	293.2	38.6	278.2	37.8	15.0	5.4
Public Sector Solutions	140.5	18.5	159.5	21.7	(19.0)	(11.9)
Total	<u>\$ 759.7</u>	<u>100.0 %</u>	<u>\$ 736.5</u>	<u>100.0 %</u>	<u>\$ 23.2</u>	<u>3.2 %</u>
Gross Profit:						
Enterprise Solutions	\$ 47.6	14.6 %	\$ 46.1	15.4 %	\$ 1.5	3.4 %
Business Solutions	68.9	23.5	66.3	23.8	2.6	3.8
Public Sector Solutions	21.3	15.2	24.1	15.2	(2.8)	(11.9)
Total	<u>\$ 137.8</u>	<u>18.1 %</u>	<u>\$ 136.5</u>	<u>18.5 %</u>	<u>\$ 1.3</u>	<u>0.9 %</u>

Net sales increased for the second quarter of 2025 compared to the second quarter of 2024, as explained by the year-over-year changes discussed below:

- Net sales of \$326.0 million for the Enterprise Solutions segment reflect an increase of \$27.2 million, or 9.1%. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, servers/storage, accessories, desktops, net/com products, other hardware/services, and software of \$7.9 million, \$6.0 million, \$5.5 million, \$5.0 million, \$4.4 million, \$3.8 million, and \$1.8 million, respectively. These increases were partially offset by a decrease in net sales of displays and sound of \$7.2 million.
- Net sales of \$293.2 million for the Business Solutions segment reflect an increase of \$15.0 million, or 5.4%. The increase in net sales is primarily due to increases in net sales of desktops, notebooks/mobility, and displays and sound of \$8.5 million, \$8.2 million, and \$3.6 million, respectively. These increases were partially offset by decreases in net sales of accessories and other hardware/services of \$4.1 million and \$0.7 million, respectively.
- Net sales of \$140.5 million for the Public Sector Solutions segment reflect a decrease of \$19.0 million, or 11.9%. Sales to the federal government increased by \$1.9 million, or 7.8%, compared to the prior year quarter, while sales to state and local government and educational institutions decreased by \$20.9 million, or 15.6%. The decrease in sales to state and local government and educational institutions was primarily driven by the timing of purchases associated with a few large K-12 customers. The decrease in net sales is primarily due to decreases in net sales of notebooks/mobility, other hardware/services, displays and sound, net/com products, software, and accessories of \$12.4 million, \$3.2 million, \$3.1 million, \$2.9 million, \$1.9 million, and \$1.5 million, respectively. These decreases were partially offset by increases in net sales of desktops and servers/storage of \$4.2 million and \$1.8 million, respectively.

Gross profit for the second quarter of 2025 increased year-over-year, while *gross margin* for the second quarter of 2025 decreased year-over-year, as explained by the year-over-year changes discussed below:

- Gross profit for the Enterprise Solutions segment increased by \$1.5 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph. Gross margin decreased by 80 basis points primarily due to reduced software agency fees, as well as a decrease in the amount of software sales recognized on a net basis.
- Gross profit for the Business Solutions segment increased by \$2.6 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph. Gross margin decreased by 30 basis points primarily due to reduced software agency fees.
- Gross profit for the Public Sector Solutions segment decreased by \$2.8 million primarily due to the decrease in net sales as discussed in the preceding paragraph. Gross margin remained substantially the same year-over-year.

Selling, general and administrative expenses for the second quarter of 2025 increased in dollars but decreased as a percentage of net sales compared to the second quarter of 2024. SG&A expenses attributable to our three segments and the remaining unallocated Headquarters/Other expenses are summarized in the table below (dollars in millions):

	Three Months Ended June 30,					
	2025		2024		\$ Change	% Change
	Amount	% of Segment Net Sales	Amount	% of Segment Net Sales		
Enterprise Solutions	\$ 37.3	11.4 %	\$ 35.8	12.0 %	\$ 1.5	4.1 %
Business Solutions	43.3	14.8	44.1	15.9	(0.8)	(1.9)
Public Sector Solutions	23.4	16.7	21.5	13.5	1.9	9.2
Headquarters/Other, unallocated	2.9		3.8		(0.9)	(24.9)
Total	\$ 106.9	14.1 %	\$ 105.2	14.3 %	\$ 1.7	1.6 %

- SG&A expenses for the Enterprise Solutions segment increased year-over-year in dollars but decreased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to an increase in personnel costs of \$1.7 million. SG&A expenses as a percentage of net sales were 11.4% for the Enterprise Solutions segment for the second quarter of 2025, which reflects a decrease of 60 basis points and is primarily due to the increase in net sales discussed above.
- SG&A expenses for the Business Solutions segment decreased year-over-year both in dollars and as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to decreases in marketing and personnel costs of \$1.1 million and \$0.5 million, respectively, partially offset by an increase in use of shared Headquarter services of \$0.8 million. SG&A expenses as a percentage of net sales were 14.8% for the Business Solutions segment for the second quarter of 2025, which reflects a decrease of 110 basis points and is primarily due to the increase in net sales discussed above, combined with the decrease in SG&A dollars.
- SG&A expenses for the Public Sector Solutions segment increased year-over-year both in dollars and as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to increases in professional fees and use of shared Headquarter services of \$1.5 million and \$0.4 million, respectively. SG&A expenses as a percentage of net sales were 16.7% for the Public Sector Solutions segment for the second quarter of 2025, which reflects an increase of 320 basis points and is primarily due to the decrease in net sales discussed above, combined with the increase in SG&A dollars.
- SG&A expenses for the Headquarters/Other decreased year-over-year by \$0.9 million primarily due to a decrease in personnel costs of \$1.0 million and an increase in the allocated amounts to the sales segments of \$0.9 million, partially offset by an increase in service contracts/subscriptions of \$1.0 million. The Headquarters/Other provides services to the three segments in areas such as finance, distribution center, human resources, IT, marketing, and product management. Most of the operating costs associated with such corporate Headquarters/Other services are charged to the segments based on their estimated allocation usage of the underlying services.

Severance expenses were not incurred during the second quarter of 2025. Severance expenses were \$0.4 million for the second quarter of 2024. The severance expenses were related to an involuntary reduction in our workforce to lower our cost structure and included cash severance and other related termination benefits.

Income from operations for the second quarter of 2025 was \$30.9 million, which was consistent with the prior year quarter. Income from operations as a percentage of net sales was 4.1% for the second quarter of 2025, which was consistent with the prior year quarter.

Interest income, net for the second quarter of 2025 decreased to \$3.2 million, compared to \$4.6 million for the second quarter of 2024, primarily due to a decrease in interest income of \$1.4 million. The decrease in interest income is primarily a result of lower realized interest rates in the current period combined with lower cash equivalent and investment balances in the current period.

Income taxes. Our provision for income taxes for the second quarter of 2025 decreased to \$9.3 million, compared to \$9.4 million for the second quarter of 2024. Our effective tax rate was 27.3% for the quarter ended June 30, 2025, compared to 26.4% for the quarter ended June 30, 2024. The increase in the effective tax rate was primarily due to non-recurring benefits included in the prior year period.

Net income for the second quarter of 2025 decreased to \$24.8 million, compared to \$26.2 million for the second quarter of 2024, primarily due to the decrease in interest income, net, as discussed above.

Six Months Ended June 30, 2025 Compared to Six Months Ended June 30, 2024

Changes in net sales and gross profit by segment are shown in the following table (dollars in millions):

	Six Months Ended June 30,					
	2025		2024		\$ Change	% Change
	Amount	% of Net Sales	Amount	% of Net Sales		
Net Sales:						
Enterprise Solutions	\$ 624.0	42.7 %	\$ 581.4	42.5 %	\$ 42.6	7.3 %
Business Solutions	551.5	37.8	534.1	39.0	17.4	3.3
Public Sector Solutions	285.2	19.5	253.0	18.5	32.2	12.7
Total	<u>\$ 1,460.7</u>	<u>100.0 %</u>	<u>\$ 1,368.5</u>	<u>100.0 %</u>	<u>\$ 92.2</u>	<u>6.7 %</u>
Gross Profit:						
Enterprise Solutions	\$ 89.9	14.4 %	\$ 88.8	15.3 %	\$ 1.1	1.3 %
Business Solutions	134.3	24.3	126.7	23.7	7.6	6.0
Public Sector Solutions	40.9	14.3	39.1	15.5	1.8	4.5
Total	<u>\$ 265.1</u>	<u>18.1 %</u>	<u>\$ 254.6</u>	<u>18.6 %</u>	<u>\$ 10.5</u>	<u>4.1 %</u>

Net sales increased for the six months ended June 30, 2025 compared to the six months ended June 30, 2024, as explained by the year-over-year changes discussed below:

- Net sales of \$624.0 million for the Enterprise Solutions segment reflect an increase of \$42.6 million, or 7.3%. The increase in net sales is primarily due to increases in net sales of desktops, servers/storage, software, other hardware/services, notebooks/mobility, accessories, and net/com products of \$20.5 million, \$11.6 million, \$8.1 million, \$6.2 million, \$5.2 million, \$3.8 million, and \$2.7 million, respectively. These increases were partially offset by a decrease in net sales of displays and sound of \$15.5 million.
- Net sales of \$551.5 million for the Business Solutions segment reflect an increase of \$17.4 million, or 3.3%. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, desktops, software, and displays and sound of \$18.4 million, \$14.1 million, \$1.3 million, and \$1.2 million, respectively. These increases were partially offset by decreases in net sales of accessories, net/com products, other hardware/services, and servers/storage of \$10.9 million, \$4.2 million, \$1.3 million, and \$1.3 million, respectively.

- Net sales of \$285.2 million for the Public Sector Solutions segment reflect an increase of \$32.2 million, or 12.7%. Sales to the federal government increased by \$42.1 million, or 98.0%, compared to the prior year quarter, while sales to state and local government and educational institutions decreased by \$9.9 million, or 4.7%. The increase in sales to the federal government was primarily driven by a few large orders in the current period. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, desktops, accessories, servers/storage, net/com products, and software of \$16.3 million, \$8.3 million, \$6.7 million, \$5.2 million, \$1.3 million, and \$1.3 million, respectively. These increases were partially offset by decreases in net sales of other hardware/services and displays and sound of \$3.8 million and \$3.1 million, respectively.

Gross profit for the six months ended June 30, 2025 increased year-over-year, while *gross margin* for the second quarter of 2025 decreased year-over-year, as explained by the year-over-year changes discussed below:

- Gross profit for the Enterprise Solutions segment increased by \$1.1 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph. Gross margin decreased by 90 basis points primarily due to reduced software agency fees, as well as a shift in product mix to lower-margin sales of desktops as shown in the table in Note 2 “Revenue” in the Notes to the Unaudited Condensed Consolidated Financial Statements and a decrease in the amount of software sales recognized on a net basis.
- Gross profit for the Business Solutions segment increased by \$7.6 million year-over-year primarily due to an increase in net sales of notebooks/mobility and desktops at improved margins, as well as changes in customer mix. Gross margin increased by 60 basis points primarily due to improved margins on sales of notebooks/mobility and desktops, as well as changes in customer mix.
- Gross profit for the Public Sector Solutions segment increased by \$1.8 million primarily due to the increase in net sales as discussed in the preceding paragraph. Gross margin decreased by 120 basis points primarily due to a few low-margin deals in the current period.

Selling, general and administrative expenses for the six months ended June 30, 2025 increased in dollars but decreased as a percentage of net sales compared to the six months ended June 30, 2024. SG&A expenses attributable to our three segments and the remaining unallocated Headquarters/Other expenses are summarized in the table below (dollars in millions):

	Six Months Ended June 30,					
	2025		2024		\$ Change	% Change
	Amount	% of Segment Net Sales	Amount	% of Segment Net Sales		
Enterprise Solutions	\$ 75.1	12.0 %	\$ 72.7	12.5 %	\$ 2.4	3.3 %
Business Solutions	88.6	16.1	88.7	16.6	(0.1)	(0.1)
Public Sector Solutions	46.4	16.3	41.8	16.5	4.6	11.0
Headquarters/Other, unallocated	6.6		6.6		—	—
Total	\$ 216.7	14.8 %	\$ 209.8	15.3 %	\$ 6.9	3.3 %

- SG&A expenses for the Enterprise Solutions segment increased year-over-year in dollars but decreased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to an increase in personnel costs of \$2.3 million. SG&A expenses as a percentage of net sales were 12.0% for the Enterprise Solutions segment for the six months ended June 30, 2025, which reflects a decrease of 50 basis points and is primarily due to the increase in net sales discussed above.
- SG&A expenses for the Business Solutions segment remained substantially the same year-over-year in dollars but decreased as a percentage of net sales. An increase in the use of shared Headquarter services of \$1.8 million was offset by decreases in personnel costs, marketing, credit card fees, professional fees, and facilities operations of \$0.6 million, \$0.6 million, \$0.4 million, \$0.1 million, and \$0.1 million, respectively. SG&A expenses as a percentage of net sales were 16.1% for the Business Solutions segment for the six months ended June 30, 2025, which reflects a decrease of 50 basis points and is primarily due to the increase in net sales discussed above.

- SG&A expenses for the Public Sector Solutions segment increased year-over-year in dollars but decreased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to increases in professional fees, personnel costs, use of shared Headquarter services, and other expenses of \$2.2 million, \$1.2 million, \$0.9 million, and \$0.5 million, respectively. SG&A expenses as a percentage of net sales were 16.3% for the Public Sector Solutions segment for the six months ended June 30, 2025, which reflects a decrease of 20 basis points and is primarily due to the increase in net sales discussed above.
- SG&A expenses for the Headquarters/Other remained substantially the same year-over-year. Increases in service contracts/subscriptions, personnel costs, and marketing of \$1.8 million, \$1.6 million, and \$0.4 million, respectively, were offset by an increase in the allocated amounts to the sales segments of \$2.2 million, as well as decreases in professional fees, depreciation and amortization, and other expenses of \$0.9 million, \$0.5 million, and \$0.2 million, respectively. The Headquarters/Other provides services to the three segments in areas such as finance, distribution center, human resources, IT, marketing, and product management. Most of the operating costs associated with such corporate Headquarters/Other services are charged to the segments based on their estimated allocation usage of the underlying services.

Severance expenses for the six months ended June 30, 2025 were \$2.9 million, compared to \$0.4 million for the six months ended June 30, 2024. The severance expenses were related to an involuntary reduction in our workforce to lower our cost structure and included cash severance and other related termination benefits.

Income from operations for the six months ended June 30, 2025 increased to \$45.4 million, compared to \$44.4 million for the six months ended June 30, 2024, primarily due to the increase in gross profit, partially offset by the increases in SG&A expenses and severance expenses, as discussed above. Income from operations as a percentage of net sales was 3.1% for the six months ended June 30, 2025, which was consistent with the prior year period.

Interest income, net for the six months ended June 30, 2025 decreased to \$7.1 million, compared to \$9.2 million for the six months ended June 30, 2024, primarily due to a decrease in interest income of \$2.1 million. The decrease in interest income is primarily a result of lower realized interest rates in the current period combined with lower cash equivalent and investment balances in the current period.

Income taxes. Our provision for income taxes for the six months ended June 30, 2025 remained consistent year-over-year. Our effective tax rate was 27.3% for the six months ended June 30, 2025, compared to 26.6% for the six months ended June 30, 2024. The increase in the effective tax rate was primarily due to non-recurring benefits included in the prior year period.

Net income for the six months ended June 30, 2025 decreased to \$38.3 million, compared to \$39.3 million for the six months ended June 30, 2024, primarily due to the decrease in interest income, net, partially offset by the increase in income from operations, as discussed above.

Liquidity and Capital Resources

Our primary sources of liquidity are internally generated funds from operations and short-term investments. We have historically used and expect to use in the future those funds to meet our capital requirements, which consist primarily of working capital for operational needs, capital expenditures for computer equipment and software used in our business, repurchases of our common stock for treasury, dividend payments, and as opportunities arise, possible acquisitions of new businesses.

We believe that funds generated from operations and short-term investments will be sufficient to finance our working capital, capital expenditures, and other requirements for at least the next twelve calendar months and beyond such twelve calendar month period. Our investments in IT systems and infrastructure are designed to enable us to operate more efficiently and to provide our customers enhanced functionality.

We expect to meet our cash requirements for the next twelve months and beyond through a combination of cash on hand, short-term investments, and cash generated from operations, as follows:

- *Cash and Cash Equivalents.* As of June 30, 2025, we had \$186.7 million in cash and cash equivalents.
- *Short-term Investments.* As of June 30, 2025, we had \$159.4 million in short-term investments.
- *Cash Generated from Operations.* We expect to generate cash flows from operations in excess of operating cash needs by generating earnings and managing net changes in inventories and receivables with changes in payables to generate positive cash flow.

Our ability to continue funding our planned growth, both internally and externally, is dependent upon our ability to generate sufficient cash flow from operations or to obtain additional funds through equity or debt financing, or from other sources of financing, as may be required. While we do not anticipate needing any additional sources of financing to fund our operations at this time, if demand for IT products declines, or our customers are materially adversely impacted by the developing macroeconomic trends characterized by inflation and increased interest rates, our cash flows from operations may be substantially affected.

Dividends

A summary of 2025 dividend activity for our common stock is as follows:

Dividend Amount	Declaration Date	Record Date	Payment Date
\$ 0.15	February 4, 2025	February 25, 2025	March 14, 2025
\$ 0.15	April 29, 2025	May 13, 2025	May 30, 2025

On July 30, 2025, we announced that our Board of Directors declared a quarterly cash dividend on our common stock of \$0.15 per share. The dividend will be paid on August 29, 2025 to all stockholders of record as of the close of business on August 12, 2025. The declaration and payment of any future dividends is at the discretion of our Board of Directors and will depend upon our financial position, strategic plans, general business conditions and any other factors deemed relevant by our Board of Directors.

Summary of Sources and Uses of Cash

Cash flows from operating, investing and financing activities for the six months ended June 30, 2025 and 2024, as reflected in our Unaudited Condensed Consolidated Statements of Cash Flows included in Item 1 of this Quarterly Report on Form 10-Q, are summarized in the following table (in millions):

	Six Months Ended June 30,	
	2025	2024
Net cash (used in) provided by operating activities	\$ (26.2)	\$ 95.7
Net cash provided by (used in) investing activities	103.1	(103.4)
Net cash used in financing activities	(68.5)	(9.0)
Increase (decrease) in cash and cash equivalents	\$ 8.4	\$ (16.7)

Cash used in operating activities was \$26.2 million for the six months ended June 30, 2025. Cash used in operating activities resulted primarily from an increase in inventory of \$38.4 million, an increase in accounts receivable of \$26.7 million, a decrease in accrued expenses and other liabilities of \$6.9 million, and an increase in other non-current assets of \$1.6 million. These outflows were partially offset by \$38.3 million of net income and positive net adjustments to net income of \$10.0 million for the six months ended June 30, 2025. The increase in inventory was primarily attributable to inventory purchases related to large customer rollouts and management associated with anticipated tariffs. The increase in accounts receivable was primarily driven by the timing of payments. For the six months ended June 30, 2024, cash provided by operating activities resulted primarily from net income adjusted for non-cash charges of \$46.5 million, an increase in accounts payable of \$53.2 million, and a decrease in accounts receivable of \$7.6 million, partially offset by an increase in inventory of \$12.4 million.

In order to manage our working capital and operating cash needs, we monitor our cash conversion cycle, defined as days of sales outstanding in accounts receivable plus days of supply in inventory minus days of purchases outstanding in accounts payable, based on a rolling three-month average. Components of our cash conversion cycle are as follows:

(in days)	June 30,	
	2025	2024
Days of sales outstanding (DSO) ⁽¹⁾	68	68
Days of supply in inventory (DIO) ⁽²⁾	20	21
Days of purchases outstanding (DPO) ⁽³⁾	(44)	(48)
Cash conversion cycle	44	41

- (1) Represents the trade receivable at the end of the quarter divided by average daily net sales for the same three-month period.
- (2) Represents the inventory balance at the end of the quarter divided by average daily cost of sales for the same three-month period.
- (3) Represents the accounts payable balance at the end of the quarter divided by average daily cost of sales for the same three-month period.

The cash conversion cycle increased to 44 days at June 30, 2025, compared to 41 days at June 30, 2024, as evidenced in the above cash conversion table. The decrease in DIO is primarily due to the decrease in inventory as of June 30, 2025 compared to June 30, 2024 combined with the increase in cost of sales for the three months ended June 30, 2025 compared to the three months ended June 30, 2024. The decrease in DPO is primarily due to the decrease in accounts payable as of June 30, 2025 compared to June 30, 2024 combined with the increase in cost of sales for the three months ended June 30, 2025 compared to the three months ended June 30, 2024.

Cash provided by investing activities for the six months ended June 30, 2025 consisted of \$52.4 million of purchases of U.S. Government treasury securities, \$108.8 million of sales of U.S. Government treasury securities, \$50.0 million of maturities of U.S. Government treasury securities, and \$3.3 million of purchases of property and equipment. These property and equipment expenditures were primarily for computer equipment and capitalized internally developed software in connection with investments in our IT infrastructure. In the prior year period, investing activities consisted of \$203.3 million of purchases of U.S. Government treasury securities, \$103.3 million of maturities of U.S. Government treasury securities, and \$3.4 million of purchases of property and equipment.

Cash used in financing activities for the six months ended June 30, 2025 consisted primarily of \$0.7 million of aggregate borrowings and repayments, \$60.5 million of treasury purchases, \$7.7 million of dividend payments, \$0.6 million of issuances of stock under the Employee Stock Purchase Plan, and \$0.9 million of payments of payroll taxes on stock-based compensation through shares withheld. In the prior year period, financing activities consisted of \$10.6 million of aggregate borrowings and repayments, \$3.6 million of treasury purchases, \$5.3 million of dividend payments, \$0.5 million of issuances of stock under the Employee Stock Purchase Plan, and \$0.6 million of payments of payroll taxes on stock-based compensation through shares withheld.

Debt Instruments, Contractual Agreements, and Related Covenants

Below is a summary of certain provisions of our credit facility and other contractual obligations. For more information about our obligations, commitments, and contingencies, see our condensed consolidated financial statements and the accompanying notes included in this Quarterly Report on Form 10-Q.

Credit Facility. Our credit facility collateralized by our accounts receivable expired March 31, 2025. We did not elect to extend or replace this credit facility given our significant cash, cash equivalent, and short-term investment balances. Amounts outstanding under this credit facility bore interest at the greatest of (i) the prime rate (7.50% at March 31, 2025), (ii) the federal funds effective rate plus 0.50% per annum, and (iii) the daily BSBY Rate, plus 1.00% per annum, but at no time less than 0% per annum. While we used this credit facility from time to time, we did not have borrowings outstanding at any recent quarter-end nor immediately prior to the expiration of the credit facility.

Cash receipts were automatically applied against any outstanding borrowings. Any excess cash on account could either remain on account to generate earned credits to offset up to 100% of cash management fees, or be invested in short-term qualified investments. Borrowings under the credit facility were classified as current in our condensed consolidated balance sheets.

Supplier Finance Programs. We have entered into agreements with financial institutions to facilitate the purchase of inventory from designated suppliers under certain terms and conditions to enhance liquidity. We do not incur any interest or other incremental expenses associated with these agreements as balances are paid when they are due. See “Note 10 “Supplier Finance Programs” of our Unaudited Condensed Consolidated Financial Statements for additional information.

Operating Leases. We lease facilities from a related party, which is a company affiliated with us through common ownership, and facilities from third parties under non-cancelable operating leases. Certain leases require us to pay real estate taxes, insurance, and common area maintenance charges. See “Item 2. Properties” in our Annual Report on Form 10-K for the year ended December 31, 2024 for additional information regarding our operating leases.

Factors Affecting Sources of Liquidity

Internally Generated Funds. The key factors affecting our internally generated funds are our ability to manage costs and fully achieve our operating efficiencies, timely collection of our customer receivables, and management of our inventory levels.

Credit Facility. Our credit facility collateralized by our accounts receivable expired March 31, 2025 and we elected not to renew or replace the credit facility given our significant cash, cash equivalent, and short-term investment balances.

Capital Markets. Our ability to raise additional funds in the capital market depends upon, among other things, general economic conditions, the condition of the IT industry, our financial performance and stock price, and the state of the capital markets. In addition, market volatility, inflation and interest rate fluctuations may increase our cost of financing or restrict our access to potential sources of future liquidity.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting policies and estimates have not materially changed from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2024.

RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

Recently issued financial accounting standards are detailed in Note 1, “Basis of Presentation,” in the Notes to our Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a description of our market risks, see Item 7A. “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2024. No material changes related to our market risks have occurred since December 31, 2024.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2025. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as described above. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

For information related to legal proceedings, see the discussion in Note 8 - “Commitments and Contingencies” in the Notes to our Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which information is incorporated by reference into this Part II, Item 1.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2024, which could materially affect our business, financial position, and results of operations. Risk factors which could cause actual results to differ materially from those suggested by forward-looking statements include but are not limited to those discussed or identified in this document, in our other public filings with the SEC, and those contained in Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases under our stock repurchase program are made from time to time at management’s discretion in accordance with applicable federal securities laws. All repurchases of our common stock have been recorded as treasury stock. The following table summarizes information relating to purchases of common stock made by or on our behalf during the quarter ended June 30, 2025 (dollars in thousands, except per share data):

Issuer Purchases of Equity Securities				
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (1)(2)
04/01/25-04/30/25	237,011	\$ 60.67	237,011	\$ 50.5
05/01/25-05/31/25	—	\$ —	—	\$ 50.5
06/01/25-06/30/25	17,684	\$ 64.79	17,684	\$ 49.4
	<u>254,695</u>	\$ 60.95	<u>254,695</u>	

- (1) We have repurchased in aggregate approximately 3.9 million shares of our common stock for approximately \$120.6 million pursuant to the repurchase program approved by our Board of Directors.
- (2) On March 28, 2001, we announced that our Board of Directors authorized the spending of up to \$15.0 million to repurchase shares of our common stock. On each of February 11, 2014, December 17, 2018, November 22, 2022, May 1, 2024, and April 30, 2025, our Board of Directors approved increases of \$15.0 million, \$25.0 million, \$25.0 million, \$40.0 million, and \$50.0 million, respectively, to the repurchase program bringing the aggregate authorized amount under the repurchase program to \$170.0 million. There is no fixed termination date for this repurchase program. Purchases may be made in open-market transactions, block transactions on or off an exchange, or in privately negotiated transactions. The timing and amount of any share repurchases will be based on market conditions and other factors.

Item 5. Other Information

Director and Officer Trading Arrangements

None of our directors or officers (as defined in Exchange Act Rule 16a-1(f)) adopted or terminated a Rule 10b5-1 trading agreement or a non-Rule 10b5-1 trading agreement (as each term is defined in Item 408(c) of Regulation S-K) during the second quarter of 2025.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation of PC Connection, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form S-4 (333-63272) filed on June 19, 2001).
3.2	Amended and Restated Bylaws of PC Connection, Inc. (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K, filed on January 9, 2008).
10.1 *	2020 Stock Incentive Plan, as amended.
10.2 *	Amended and Restated 1997 Employee Stock Purchase Plan, as amended.
31.1 **	Certification of the Company's President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 **	Certification of the Company's Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 **	Certification of the Company's President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 **	Certification of the Company's Senior Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS **	Inline XBRL Instance Document* - The Instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Presentation Linkbase Document.
104 **	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Management contract or compensatory plan or arrangement and submitted electronically herewith.

** Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2025 and December 31, 2024, (ii) Condensed Consolidated Statements of Income for the three and six months ended June 30, 2025 and 2024, (iii) Condensed Consolidated Statements of Other Comprehensive Income for the three and six months ended June 30, 2025 and 2024, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2025 and 2024, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2025 and 2024, and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.

SIGNATURES

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 thereunto duly authorized.

PC CONNECTION, INC.

Date: July 30, 2025

By: /s/ TIMOTHY J. MCGRATH

Timothy J. McGrath
President and Chief Executive Officer
(Duly Authorized Officer)

Date: July 30, 2025

By: /s/ THOMAS C. BAKER

Thomas C. Baker
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

AMENDMENT NO. 3 TO

2020 STOCK INCENTIVE PLAN

The 2020 Stock Incentive Plan (the “Plan”) of PC Connection, Inc. is hereby further amended as follows:

1. The first sentence of Section 4(a)(1)(A) is hereby deleted in its entirety and the following is inserted in lieu thereof:

“1,100,000 shares of Common Stock; and.”

Except as set forth above, the remainder of the Plan remains in full force and effect.

Adopted by the Board of Directors on February 4, 2025.

Approved by shareholders on May 14, 2025.

AMENDMENT NO. 2 TO

2020 STOCK INCENTIVE PLAN

The 2020 Stock Incentive Plan (the “Plan”) of PC Connection, Inc. is hereby further amended as follows:

1. The first sentence of Section 4(a)(1)(A) is hereby deleted in its entirety and the following is inserted in lieu thereof:

“700,000 shares of Common Stock; and.”

Except as set forth above, the remainder of the Plan remains in full force and effect.

Adopted by the Board of Directors on March 6, 2023.

Approved by shareholders on May 17, 2023.

AMENDMENT NO. 1 TO

2020 STOCK INCENTIVE PLAN

The 2020 Stock Incentive Plan (the “Plan”) of PC Connection, Inc. is hereby further amended as follows:

1. The first sentence of Section 4(a)(1)(A) is hereby deleted in its entirety and the following is inserted in lieu thereof:

“450,000 shares of Common Stock; and.”

Except as set forth above, the remainder of the Plan remains in full force and effect.

Adopted by the Board of Directors on March 25, 2022.

Approved by shareholders on May 18, 2022.

2020 STOCK INCENTIVE PLAN

1. Purpose

The purpose of this 2020 Stock Incentive Plan (the “*Plan*”) of PC Connection, Inc., a Delaware corporation (the “*Company*”), is to advance the interests of the Company’s stockholders by enhancing the Company’s ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and equity performance-based incentives that are intended to better align the interests of such persons with those of the Company’s stockholders. Except where the context otherwise requires, the term “*Company*” shall include any of the Company’s present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations thereunder (the “*Code*”) and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the “*Board*”); *provided, however*, that such other business ventures shall be limited to entities that, where required by Section 409A of the Code, are eligible issuers of service recipient stock (as defined in Treas. Reg. Section 1.409A-1(b)(5)(iii)(E), or applicable successor regulation).

2. Eligibility

All of the Company’s employees, officers and directors, as well as consultants and advisors to the Company (as the terms consultants and advisors are defined and interpreted for purposes of Form S-8 under the Securities Act of 1933, as amended (the “*Securities Act*”), or any successor form) are eligible to be granted Awards (as defined below) under the Plan. Each person who is granted an Award under the Plan is deemed a “*Participant*.” The Plan provides for the following types of awards, each of which is referred to as an “*Award*”: Options (as defined in Section 5), SARs (as defined in Section 6), Restricted Stock (as defined in Section 7), RSUs (also as defined in Section 7) and Other Stock-Based and Cash-Based Awards (as defined in Section 8). Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

3. Administration and Delegation

- (a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award. All actions and decisions by the Board with respect to the Plan and any Awards shall be made in the Board’s discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award.
 - (b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a “*Committee*”). All references in the Plan to the “*Board*” shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board’s powers or authority under the Plan have been delegated to such Committee or officers.
 - (c) Delegation to Officers. Subject to any requirements of applicable law (including as applicable Sections 152 and 157(c) of the General Corporation Law of the State of Delaware), the Board may delegate to one or more officers of the Company the power to grant Awards (subject to any limitations under the Plan) to employees or officers of the Company and to exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the terms of Awards to be granted by such officers, the maximum number of shares subject to Awards that the officers may grant, and the time period in which such Awards may be granted; and provided further, that no officer shall be authorized to grant Awards to any “executive officer” of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”)) or to any “officer” of the Company (as defined by Rule 16a-1(f) under the Exchange Act).
 - (d) Awards to Non-Employee Directors. Awards to non-employee directors will be administered by a Committee, all of the members of which are independent directors as defined by Section 5605(a)(2) of the NASDAQ Stock Market (“*NASDAQ*”) Marketplace Rules.
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4. Stock Available for Awards

(a) Number of Shares; Share Counting.

(1) Authorized Number of Shares. Subject to adjustment under Section 10, Awards may be made under the Plan for up to a number of shares of Common Stock, \$0.01 par value per share, of the Company (the “*Common Stock*”), as is equal to the sum of:

(A) 350,000 shares of Common Stock; and

(B) such additional number of shares of Common Stock (up to 552,500) as is equal to the sum of (x) the number of shares of Common Stock reserved for issuance under the Company’s Amended and Restated 2007 Stock Incentive Plan (the “*Existing Plan*”) that remain available for grant under the Existing Plan on May 26, 2020, the day that the Existing Plan expires, and the day prior to the date that the Plan is approved by the Company’s stockholders (the “*Effective Date*”) and (y) the number of shares of Common Stock subject to awards granted under the Existing Plan which awards expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options to any limitations under the Code).

Any or all of the shares of Common Stock available for issuance under the Plan may be awarded in the form of Incentive Stock Options (as defined in Section 5(b)). Shares of Common Stock issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(2) Share Counting. For purposes of counting the number of shares available for the grant of Awards under the Plan under this Section 4(a) and under the sublimits contained in Section 4(b):

(A) all shares of Common Stock covered by SARs shall be counted against the number of shares available for the grant of Awards under the Plan and against the sublimits contained in Section 4(b); *provided, however,* that (i) SARs that may be settled only in cash shall not be so counted and (ii) if the Company grants an SAR in tandem with an Option for the same number of shares of Common Stock and provides that only one such Award may be exercised (a “*Tandem SAR*”), only the shares covered by the Option, and not the shares covered by the Tandem SAR, shall be so counted, and the expiration of one in connection with the other’s exercise will not restore shares to the Plan;

(B) to the extent that an RSU may be settled only in cash, no shares shall be counted against the shares available for the grant of Awards under the Plan;

(C) if any Award (i) expires or is terminated, surrendered or cancelled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right) or (ii) results in any Common Stock not being issued (including as a result of an SAR that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; *provided, however,* that (1) in the case of Incentive Stock Options, the foregoing shall be subject to any limitations under the Code, (2) in the case of the exercise of an SAR, the number of shares counted against the shares available under the Plan and against the sublimits contained in Section 4(b) shall be the full number of shares subject to the SAR multiplied by the percentage of the SAR actually exercised, regardless of the number of shares actually used to settle such SAR upon exercise and (3) the shares covered by a Tandem SAR shall not again become available for grant upon the expiration or termination of such Tandem SAR;

(D) shares of Common Stock delivered (either by actual delivery, attestation, or net exercise) to the Company by a Participant to (i) purchase shares of Common Stock upon the exercise of an Award or (ii) satisfy tax withholding obligations with respect to Awards (including shares retained from the Award creating the tax obligation) shall not be added back to the number of shares available for the future grant of Awards; and

(E) shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for future grant of Awards.

(b) Sublimits. Subject to adjustment under Section 10, the following sublimits on the number of shares subject to

Awards shall apply:

- (1) Per-Participant Limits. The maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 250,000 per calendar year of the Company. For purposes of the foregoing limit, the combination of an Option in tandem with a Stock Appreciation Right shall be treated as a single Award.
 - (2) Limit on Awards to Non-Employee Directors. The maximum aggregate amount of cash and value (calculated based on grant date fair value for financial reporting purposes) of Awards granted in any fiscal year to any individual non-employee director shall not exceed \$500,000; provided, however, fees paid by the Company on behalf of any non-employee director in connection with regulatory compliance and any amounts paid to a non-employee director as reimbursement of an expense shall not count against the foregoing limitation. The Compensation Committee may make additional exceptions to this limit for individual non-employee directors in extraordinary circumstances or in the case of regulatory filing fees, as the Committee may determine in its discretion, provided that the non-employee director receiving such additional compensation may not participate in the decision to award such compensation.
 - (c) Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a)(1) or any sublimits contained in the Plan, except as may be required by reason of Section 422 and related provisions of the Code.
5. Stock Options.
- (a) General. The Board may grant options to purchase Common Stock (each, an “*Option*”) and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as the Board considers necessary or advisable.
 - (b) Incentive Stock Options. An Option that the Board intends to be an “incentive stock option” as defined in Section 422 of the Code (an “*Incentive Stock Option*”) shall only be granted to employees of PC Connection, Inc., any of PC Connection, Inc.’s present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. An Option that is not intended to be an Incentive Stock Option shall be designated a “*Nonstatutory Stock Option*.” The Company shall have no liability to a Participant, or any other person, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or if the Company converts an Incentive Stock Option to a Nonstatutory Stock Option.
 - (c) Exercise Price. The Board shall establish the exercise price of each Option or the formula by which such exercise price will be determined. The exercise price shall be specified in the applicable Option agreement. The exercise price shall be not less than 100% of the Grant Date Fair Market Value (as defined below) of the Common Stock on the date the Option is approved; provided that if the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Grant Date Fair Market Value on such future date. “Grant Date Fair Market Value” of a share of Common Stock for purposes of the Plan will be determined as follows:
 - (1) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the applicable date; or
 - (2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices on the applicable date as reported by an over-the-counter marketplace designated by the Board; or
 - (3) if the Common Stock is not publicly traded, the Board will determine the Grant Date Fair Market Value for purposes of the Plan using any measure of value it determines to be appropriate (including, as it considers
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appropriate, relying on appraisals) in a manner consistent with the valuation principles under Code Section 409A, except as the Board may expressly determine otherwise.

For any date that is not a trading day, the Grant Date Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately following trading day and with the timing in the formulas above adjusted accordingly. The Board can substitute a particular time of day or other measure of "closing sale price" or "bid and asked prices" if appropriate because of exchange or market procedures or can, in its sole discretion, use weighted averages either on a daily basis or such longer period as complies with Code Section 409A.

The Board has sole discretion to determine the Grant Date Fair Market Value for purposes of the Plan, and all Awards are conditioned on the Participant's agreement that the Administrator's determination is conclusive and binding even though others might make a different determination.

- (d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable Option agreement; provided, however, that no Option will be granted with a term in excess of 10 years.
 - (e) Exercise of Options. Options may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic and which may be provided to a third-party equity plan administrator) approved by the Company, together with payment in full (in the manner specified in Section 5(f)) of the exercise price for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company as soon as practicable following exercise.
 - (f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:
 - (1) in cash or by check, payable to the order of the Company;
 - (2) except as may otherwise be provided in the applicable Option agreement or approved by the Board, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;
 - (3) to the extent provided for in the applicable Option agreement or approved by the Board, by delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at their fair market value (valued in the manner determined by (or in a manner approved by) the Board), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;
 - (4) to the extent provided for in the applicable Nonstatutory Stock Option agreement or approved by the Board, by delivery of a notice of "net exercise" to the Company, as a result of which the Participant would receive (i) the number of shares underlying the portion of the Option being exercised, less (ii) such number of shares as is equal to (A) the aggregate exercise price for the portion of the Option being exercised divided by (B) the fair market value of the Common Stock (valued in the manner determined by (or in a manner approved by) the Board) on the date of exercise;
 - (5) to the extent permitted by applicable law and provided for in the applicable Option agreement or approved by the Board, by payment of such other lawful consideration as the Board may determine; or
 - (6) by any combination of the above permitted forms of payment, to the extent approved by the Board.
 - (g) Limitation on Repricing. Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 10): (1) amend any outstanding Option granted under the Plan to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option, (2)
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cancel any outstanding option (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option, (3) cancel in exchange for a cash payment any outstanding Option with an exercise price per share above the then-current fair market value of the Common Stock (valued in the manner determined by (or in a manner approved by) the Board), or (4) take any other action under the Plan that constitutes a “repricing” within the meaning of the rules of the NASDAQ Stock Market.

(h) **No Reload Options.** No Option granted under the Plan shall contain any provision entitling the Participant to the automatic grant of additional Options in connection with any exercise of the original Option.

(i) **No Dividend Equivalents.** No Option shall provide for the payment or accrual of dividend equivalents.

6. Stock Appreciation Rights

(a) **General.** The Board may grant Awards consisting of stock appreciation rights (“SARs”) entitling the holder, upon exercise, to receive an amount of Common Stock or cash or a combination thereof (such form to be determined by the Board) determined by reference to appreciation, from and after the date of grant, in the fair market value of a share of Common Stock (valued in the manner determined by (or in a manner approved by) the Board) over the measurement price established pursuant to Section 6(b). The date as of which such appreciation is determined shall be the exercise date.

(b) **Measurement Price.** The Board shall establish the measurement price of each SAR and specify it in the applicable SAR agreement. The measurement price shall not be less than 100% of the Grant Date Fair Market Value of the Common Stock on the date the SAR is granted; provided that if the Board approves the grant of an SAR effective as of a future date, the measurement price shall be not less than 100% of the Grant Date Fair Market Value on such future date.

(c) **Duration of SARs.** Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; provided, however, that no SAR will be granted with a term in excess of 10 years.

(d) **Exercise of SARs.** SARs may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic) approved by the Company, together with any other documents required by the Board.

(e) **Limitation on Repricing.** Unless such action is approved by the Company’s stockholders, the Company may not (except as provided for under Section 10): (1) amend any outstanding SAR granted under the Plan to provide a measurement price per share that is lower than the then-current measurement price per share of such outstanding SAR, (2) cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having a measurement price per share lower than the then-current measurement price per share of the cancelled SAR, (3) cancel in exchange for a cash payment any outstanding SAR with a measurement price per share above the then-current fair market value of the Common Stock (valued in the manner determined by (or in a manner approved by) the Board), or (4) take any other action under the Plan that constitutes a “repricing” within the meaning of the rules of the NASDAQ Stock Market.

(f) **No Reload SARs.** No SAR granted under the Plan shall contain any provision entitling the Participant to the automatic grant of additional SARs in connection with any exercise of the original SAR.

(g) **No Dividend Equivalents.** No SAR shall provide for the payment or accrual of dividend equivalents.

7. Restricted Stock; RSUs

(a) **General.** The Board may grant Awards entitling recipients to acquire shares of Common Stock (“*Restricted Stock*”), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable

restriction period or periods established by the Board for such Award. The Board may also grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered as soon as practicable after the time such Award vests (“RSUs”).

- (b) Terms and Conditions for Restricted Stock and RSUs. The Board shall determine the terms and conditions of Restricted Stock and RSUs, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.
 - (c) Additional Provisions Relating to Restricted Stock.
 - (1) Dividends. Any dividends (whether paid in cash, stock or property) declared and paid by the Company with respect to shares of Restricted Stock (“*Unvested Dividends*”) shall be paid to the Participant only if and when such shares become free from the restrictions on transferability and forfeitability that apply to such shares or at such other time as the Board shall determine and set forth in the applicable award agreement. No interest will be paid on Unvested Dividends.
 - (2) Stock Certificates. The Company may require that any stock certificates issued in respect of shares of Restricted Stock, as well as dividends or distributions paid on such Restricted Stock, shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to his or her Designated Beneficiary. “*Designated Beneficiary*” means (i) the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant’s death or (ii) in the absence of an effective designation by a Participant, the Participant’s estate.
 - (d) Additional Provisions Relating to RSUs.
 - (1) Settlement. As soon as practicable after the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each RSU, the Participant shall be entitled to receive from the Company the number of shares of Common Stock specified in the Award agreement or (if so provided in the applicable Award agreement or otherwise determined by the Board) an amount of cash equal to the fair market value (valued in the manner determined by (or in a manner approved by) the Board) of such number of shares or a combination thereof. The Board may provide that settlement of RSUs shall be deferred, on a mandatory basis or at the election of the Participant, in a manner that complies with Section 409A of the Code or any successor provision thereto, and the regulations thereunder (“*Section 409A*”).
 - (2) Voting Rights. A Participant shall have no voting rights with respect to any RSUs.
 - (3) Dividend Equivalents. The Award agreement for RSUs may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock (“*Dividend Equivalents*”). Dividend Equivalents will be credited to an account for the Participant, may be settled in cash and/or shares of Common Stock as set forth in the applicable award agreement and shall be subject to the same restrictions on transfer and forfeitability as the RSUs with respect to which paid. No interest will be paid on Dividend Equivalents.
8. Other Stock-Based and Cash-Based Awards
- (a) General. The Board may grant other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property (“*Other Stock-Based Awards*”). Such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine. The Company may also grant Awards denominated in cash rather than shares of Common Stock (“*Cash-Based Awards*”).
 - (b) Terms and Conditions. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock-Based or Cash-Based Award, including any purchase price applicable thereto.
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(c) Dividend Equivalents. The Award agreement for an Other Stock-Based Award may provide Participants with the right to receive Dividend Equivalents. Dividend Equivalents will be credited to an account for the Participant, may be settled in cash and/or shares of Common Stock as set forth in the applicable award agreement and shall be subject to the same restrictions on transfer and forfeitability as the Other Stock-Based Award with respect to which paid. No interest will be paid on Dividend Equivalents.

9. Performance Awards.

- (a) Grants. Awards under the Plan may be made subject to the achievement of performance goals pursuant to this Section 9 (“Performance Awards”).
- (b) Performance Measures. The Board may specify that the degree of granting, vesting and/or payout of any Performance Award shall be subject to the achievement of one or more performance measures established by the Board, which may be based on the relative or absolute attainment of specified levels of one or any combination of the following, which may be determined pursuant to generally accepted accounting principles (“GAAP”) or on a non-GAAP basis, as determined by the Board: (i) net income, (ii) earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, (iii) operating profit before or after discontinued operations and/or taxes, (iv) sales, (v) sales growth, (vi) earnings growth, (vii) cash flow or cash position, (viii) gross margins, (ix) stock price, (x) market share, (xi) return on sales, assets, equity or investment, (xii) improvement of financial ratings, (xiii) achievement of balance sheet or income statement objectives, (xiv) total shareholder return, or (xv) any other measure selected by the Board. Such goals may reflect absolute entity or business unit performance or a relative comparison to the performance of a peer group of entities or other external measure of the selected performance criteria and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The Board may specify that such performance measures shall be adjusted to exclude any one or more of (A) extraordinary items, (B) gains or losses on the dispositions of discontinued operations, (C) the cumulative effects of changes in accounting principles, (D) the writedown of any asset, (E) fluctuation in foreign currency exchange rates, (F) charges for restructuring and rationalization programs, (G) non-cash, mark-to-market adjustments on derivative instruments, (H) amortization of purchased intangibles, (I) the net impact of tax rate changes, (J) non-cash asset impairment charges, (K) gains on extinguishment of the tax receivable agreement and (L) such other factors as the Board may determine. Such performance measures: (x) may vary by Participant and may be different for different Awards; (y) may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works and (z) may cover such period as may be specified by the Board. The Board shall have the authority to make equitable adjustments to the performance goals in recognition of unusual or non-recurring events affecting the Company or the financial statements of the Company, in response to changes in applicable laws or regulations or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles. Dividends or Dividend Equivalents granted with respect to any Performance Award will be credited to an account for the Participant, may be settled in cash and/or shares of Common Stock as set forth in the applicable award agreement and shall be subject to the same restrictions on transfer and forfeitability as the Performance Award with respect to which granted.
- (c) Adjustments. The Board may adjust the cash or number of shares payable pursuant to such Performance Award, and the Board may, at any time, waive the achievement of the applicable performance measures, including in the case of the death or disability of the Participant or a change in control of the Company.

10. Adjustments for Changes in Common Stock and Certain Other Events

- (a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under the Plan, (ii) the share counting rules and sublimits set forth in Sections 4(a) and 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share and per-share provisions and the measurement price of each outstanding SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding award of Restricted Stock and (vi) the share and per-share-related provisions and the purchase price, if any, of each outstanding RSU and each Other Stock-Based Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects
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a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events.

(1) Definition. A “*Reorganization Event*” shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Awards Other than Restricted Stock.

(A) In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock on such terms as the Board determines (except to the extent specifically provided otherwise in an applicable Award agreement or another agreement between the Company and the Participant): (i) provide that such Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that all of the Participant’s unvested Awards will be forfeited immediately prior to the consummation of such Reorganization Event and/or unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant (to the extent then exercisable) within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the “*Acquisition Price*”), make or provide for a cash payment to Participants with respect to each Award held by a Participant equal to (A) the number of shares of Common Stock subject to the vested portion of the Award (after giving effect to any acceleration of vesting that occurs upon or immediately prior to such Reorganization Event) multiplied by (B) the excess, if any, of (I) the Acquisition Price over (II) the exercise, measurement or purchase price of such Award and any applicable tax withholdings, in exchange for the termination of such Award, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise, measurement or purchase price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 10(b)(2), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

(B) Notwithstanding the terms of Section 10(b)(2)(A), in the case of outstanding Restricted Stock Units that are subject to Section 409A of the Code: (i) if the applicable Restricted Stock Unit agreement provides that the Restricted Stock Units shall be settled upon a “change in control event” within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i), and the Reorganization Event constitutes such a “change in control event”, then no assumption or substitution shall be permitted pursuant to Section 10(b)(2)(A)(i) and the Restricted Stock Units shall instead be settled in accordance with the terms of the applicable Restricted Stock Unit agreement; and (ii) the Board may only undertake the actions set forth in clauses (iii), (iv) or (v) of Section 10(b)(2)(A) if the Reorganization Event constitutes a “change in control event” as defined under Treasury Regulation Section 1.409A-3(i)(5)(i) and such action is permitted or required by Section 409A of the Code; if the Reorganization Event is not a “change in control event” as so defined or such action is not permitted or required by Section 409A of the Code, and the acquiring or succeeding corporation does not assume or substitute the Restricted Stock Units pursuant to clause (i) of Section 10(b)(2)(A), then the unvested Restricted Stock Units shall terminate immediately prior to the consummation of the Reorganization Event without any payment in exchange therefor.

(C) For purposes of Section 10(b)(2)(A)(i), an Award (other than Restricted Stock) shall be considered assumed if, following consummation of the Reorganization Event, such Award confers the right to purchase or receive pursuant to the terms of such Award, for each share of Common Stock subject to the Award immediately prior to the

consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); *provided, however*, that if the consideration received as a result of the Reorganization Event is not solely Common Stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise or settlement of the Award to consist solely of such number of shares of Common Stock of the acquiring or succeeding corporation (or an affiliate thereof) that the Board determines to be equivalent in value (as of the date of such determination or another date specified by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

- (3) Consequences of a Reorganization Event on Restricted Stock. Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company with respect to outstanding Restricted Stock shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to such Restricted Stock; *provided, however*, that the Board may provide for termination or deemed satisfaction of such repurchase or other rights under the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock then outstanding shall automatically be deemed terminated or satisfied.

11. General Provisions Applicable to Awards

- (a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by a Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; *provided, however*, that, except with respect to Awards subject to Section 409A, the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if the Company would be eligible to use a Form S-8 under the Securities Act for the registration of the sale of the Common Stock subject to such Award to such proposed transferee; *provided further*, that the Company shall not be required to recognize any such permitted transfer until such time as such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees. For the avoidance of doubt, nothing contained in this Section 11(a) shall be deemed to restrict a transfer to the Company.
- (b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan. In the event of any conflict between the terms of any Award agreement and this Plan, this Plan shall govern and control.
- (c) Termination of Status. The Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights, or receive any benefits, under an Award.
- (d) Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may elect to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the
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Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise, vesting or release from forfeiture of an Award or at the same time as payment of the exercise or purchase price, unless the Company determines otherwise. If provided for in an Award or approved by the Board, a Participant may satisfy the tax obligations in whole or in part by delivery (either by actual delivery or attestation) of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their fair market value (valued in the manner determined by (or in a manner approved by) the Company); *provided, however*, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income), except that, to the extent that the Company is able to retain shares of Common Stock having a fair market value (determined by, or in a manner approved by, the Company) that exceeds the statutory minimum applicable withholding tax without financial accounting implications or the Company is withholding in a jurisdiction that does not have a statutory minimum withholding tax, the Company may retain such number of shares of Common Stock (up to the number of shares having a fair market value equal to the maximum individual statutory rate of tax (determined by, or in a manner approved by, the Company)) as the Company shall determine in its sole discretion to satisfy the tax liability associated with any Award. Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

- (e) Amendment of Award. Except as otherwise provided in Sections 5(g) and 6(e) related to repricings, the Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option. The Participant's consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, does not materially and adversely affect the Participant's rights under the Plan or (ii) the change is permitted under Section 10.
- (f) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously issued or delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.
- (g) Limitations on Vesting. Subject to Section 11(h), and notwithstanding any other provision in the Plan to the contrary, Awards granted under the Plan (other than Cash-Based Awards) shall vest no earlier than the first anniversary of the date on which the Award is granted; provided that the following Awards shall not be subject to the foregoing minimum vesting requirement: (i) shares of Common Stock delivered in lieu of fully-vested cash awards, and (ii) any additional Awards the Board may grant up to a maximum of five percent (5%) of the maximum number of shares of Common Stock available for the grant of Awards under Section 4(a) of the Plan (and subject to adjustment under Section 10); and, provided, further, that the foregoing restriction does not apply to the Board's discretion to provide for the accelerated exercisability of vesting of any Award in the terms of the Plan, the Award agreement or otherwise.
- (h) Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in whole or in part, free from some or all restrictions or conditions or otherwise realizable in whole or in part, as the case may be.

12. Miscellaneous

- (a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award by virtue of the adoption of the Plan, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.
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- (b) No Rights As Stockholder; Clawback. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be issued with respect to an Award until becoming the record holder of such shares. In accepting an Award under the Plan, the Participant agrees to be bound by any clawback policy that the Company has in effect or may adopt in the future.
- (c) Effective Date and Term of Plan. The Plan shall become effective on the Effective Date. No Awards shall be granted under the Plan after the expiration of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.
- (d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) neither Section 5(g) nor 6(e) requiring stockholder approval of any Option or SAR repricing may be amended without stockholder approval; (ii) no amendment that would require stockholder approval under the rules of the national securities exchange on which the Company then maintains its primary listing may be made effective unless and until the Company's stockholders approve such amendment; and (iii) if the national securities exchange on which the Company then maintains its primary listing does not have rules regarding when stockholder approval of amendments to equity compensation plans is required (or if the Company's Common Stock is not then listed on any national securities exchange), then no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan (other than pursuant to Section 4(c) or 10), (B) expanding the types of Awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan shall be effective unless and until the Company's stockholders approve such amendment. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 12(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment, taking into account any related action, does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan unless the Award provides that (i) it will terminate or be forfeited if stockholder approval of such amendment is not obtained within no more than 12 months from the date of grant and (2) it may not be exercised or settled (or otherwise result in the issuance of Common Stock) prior to such stockholder approval.
- (e) Authorization of Sub-Plans (including for Grants to non-U.S. Employees). The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable securities, tax or other laws of various jurisdictions. The Board shall establish such sub-plans by adopting supplements to the Plan containing (i) such limitations on the Board's discretion under the Plan as the Board deems necessary or desirable or (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Company shall not be required to provide copies of any supplement to Participants in any jurisdiction which is not the subject of such supplement.
- (f) Compliance with Section 409A of the Code. If and to the extent (i) any portion of any payment, compensation or other benefit provided to a Participant pursuant to the Plan in connection with his or her employment termination constitutes "nonqualified deferred compensation" within the meaning of Section 409A and (ii) the Participant is a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, in each case as determined by the Company in accordance with its procedures, by which determinations the Participant (through accepting the Award) agrees that he or she is bound, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of "separation from service" (as determined under Section 409A) (the "*New Payment Date*"), except as Section 409A may then permit. The aggregate of any payments that otherwise would have been paid to the Participant during the period between the date of separation from service and the New Payment Date shall be paid to the Participant in a lump sum on such New Payment Date, and any remaining payments will be paid on their original schedule.

The Company makes no representations or warranty and shall have no liability to the Participant or any other person if any provisions of or payments, compensation or other benefits under the Plan are determined to constitute nonqualified deferred compensation subject to Section 409A but do not to satisfy the conditions of that section.

(g) Limitations on Liability. Notwithstanding any other provisions of the Plan, no individual acting as a director, officer, employee or agent of the Company will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan, nor will such individual be personally liable with respect to the Plan because of any contract or other instrument he or she executes in his or her capacity as a director, officer, employee or agent of the Company. The Company will indemnify and hold harmless each director, officer, employee or agent of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been or will be delegated, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Board's approval) arising out of any act or omission to act concerning the Plan unless arising out of such person's own fraud or bad faith.

(h) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than the State of Delaware.

AMENDMENT NO. 6 TO

AMENDED AND RESTATED 1997 EMPLOYEE STOCK PURCHASE PLAN

The Amended and Restated 1997 Employee Stock Purchase Plan (the “Plan”) of PC Connection, Inc. is hereby further amended as follows:

1. The last sentence of the first paragraph is hereby deleted in its entirety and the following is inserted in lieu thereof:
“One Million Three Hundred and Fifty-Two Thousand Five Hundred (1,352,500) shares of Common Stock in the aggregate have been reserved for the purpose.”

Except as set forth above, the remainder of the Plan remains in full force and effect.

Adopted by the Board of Directors on February 4, 2025.

Approved by shareholders on May 14, 2025.

AMENDMENT NO. 5 TO

AMENDED AND RESTATED 1997 EMPLOYEE STOCK PURCHASE PLAN

The Amended and Restated 1997 Employee Stock Purchase Plan (the “Plan”) of PC Connection, Inc. is hereby further amended as follows:

1. The last sentence of the first paragraph is hereby deleted in its entirety and the following is inserted in lieu thereof:
“One Million Three Hundred and Two Thousand Five Hundred (1,302,500) shares of Common Stock in the aggregate have been reserved for the purpose.”

Except as set forth above, the remainder of the Plan remains in full force and effect.

Adopted by the Board of Directors on March 25, 2022.

Approved by shareholders on May 18, 2022.

AMENDMENT NO. 4 TO

AMENDED AND RESTATED 1997 EMPLOYEE STOCK PURCHASE PLAN

The Amended and Restated 1997 Employee Stock Purchase Plan (the “Plan”) of PC Connection, Inc. is hereby further amended as follows:

1. The last sentence of the first paragraph is hereby deleted in its entirety and the following is inserted in lieu thereof:
“One Million Two Hundred and Two Thousand Five Hundred (1,202,500) shares of Common Stock in the aggregate have been reserved for the purpose.”

Except as set forth above, the remainder of the Plan remains in full force and effect.

Adopted by the Board of Directors on March 28, 2019.

Approved by shareholders on May 22, 2019.

AMENDMENT NO. 3 TO

AMENDED AND RESTATED 1997 EMPLOYEE STOCK PURCHASE PLAN

The Amended and Restated 1997 Employee Stock Purchase Plan (the "Plan") of PC Connection, Inc. is hereby further amended as follows:

1. The last sentence of the first paragraph is hereby deleted in its entirety and the following is inserted in lieu thereof:

"One Million One Hundred and Sixty-Two Thousand Five Hundred (1,162,500) shares of Common Stock in the aggregate have been reserved for the purpose."

Except as set forth above, the remainder of the Plan remains in full force and effect.

Adopted by the Board of Directors on February 13, 2018.

Approved by shareholders on May 30, 2018.

AMENDMENT NO. 2 TO

AMENDED AND RESTATED 1997 EMPLOYEE STOCK PURCHASE PLAN

The Amended and Restated 1997 Employee Stock Purchase Plan (the "Plan") of PC Connection, Inc. is hereby further amended as follows:

2. The last sentence of the first paragraph is hereby deleted in its entirety and the following is inserted in lieu thereof:

"One Million One Hundred and Thirsty-Seven Thousand Five Hundred (1,137,500) shares of Common Stock in the aggregate have been reserved for the purpose."

3. Section 5 of the Plan is hereby deleted in its entirety and a new Section 5 is inserted in lieu thereof which reads as follows:

"5. Deductions. The Company will maintain payroll deduction accounts for all participating employees. With respect to any Offering made under this Plan, an employee may authorize a payroll deduction in any dollar amount up to a maximum of 10% of the Compensation he receives during the Plan Period. In no event may an employee's total payroll deductions exceed \$10,000 (during a six-month Plan Period) or \$20,000 (in the case of a one-year Plan Period). The minimum payroll deduction is such percentage of Compensation as may be established from time to time by the Board or the Committee.

No employee may be granted an Option (as defined in Section 9) which permits his rights to purchase Common Stock under this Plan and any other employee stock purchase plan (as defined in Section 423(b) of the Code) of the Company and its subsidiaries, to accrue at a rate which exceeds (a) \$12,500 (during a six-month Plan Period) or (b) \$25,000 (in the case of a one-year Plan Period) of the fair market value of such Common Stock (determined as of the last business day of the Plan Period) for each such Plan Period in which the Option is outstanding at any time."

Adopted by the Board of Directors on March 4, 2015.

Approved by shareholders on May 20, 2015.

AMENDMENT NO. 1 TO

AMENDED AND RESTATED 1997 EMPLOYEE STOCK PURCHASE PLAN

The last sentence of the first paragraph is hereby deleted in its entirety and the following is inserted in lieu thereof:

“One Million Thirty-Seven Thousand Five Hundred (1,037,500) shares of Common Stock in the aggregate have been reserved for the purpose.”

Adopted by the Board of Directors on January 31, 2012.

Amendment approved by shareholders on May 23, 2012

Amended and Restated 1997 Employee Stock Purchase Plan

The purpose of this Plan is to provide eligible employees of PC Connection, Inc., a Delaware corporation (the "Company"), and certain of its U.S. subsidiaries with opportunities to purchase shares of the Company's common stock, \$.01 par value per share (the "Common Stock"), commencing on January 1, 1999. Nine Hundred Thirty-Seven Thousand Five Hundred (937,500) shares of Common Stock in the aggregate have been reserved for this purpose.

1. Administration. The Plan will be administered by the Company's Board of Directors (the "Board") or by the Compensation Committee appointed by the Board (the "Committee"). The Board or the Committee has authority to make rules and regulations for the administration of the Plan, to determine any brokerage and other fees to be paid or subsidized by the Company, and to determine the number of shares in each Offering; its interpretation and decisions with regard thereto shall be final and conclusive.

2. Eligibility. Participation in the Plan will neither be permitted nor denied contrary to the requirements of Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder. All employees of the Company, including Directors who are employees, and all employees of any subsidiary of the Company (as defined in Section 424(f) of the Code) designated by the Board or the Committee from time to time (a "Designated Subsidiary"), are eligible to participate in any one or more of the offerings of Options (as defined in Section 9) to purchase Common Stock under the Plan provided that:

(a) they are customarily employed by the Company or a Designated Subsidiary for more than 20 hours a week and for more than five months in a calendar year; and

(b) they have been employed by the Company or a Designated Subsidiary for at least six months prior to enrolling in the Plan; and

(c) they are employees of the Company or a Designated Subsidiary on the first day of the applicable Plan Period (as defined below).

No employee may be granted an option hereunder if such employee, immediately after the option is granted, owns 5% or more of the total combined voting power or value of the stock of the Company or any subsidiary. For purposes of the preceding sentence, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of an employee, and all stock which the employee has a contractual right to purchase shall be treated as stock owned by the employee.

3. Offerings. The Company will make one or more offerings (each, an "Offering") to employees to purchase shares of Common Stock under this Plan. Offerings will begin each January 1 and July 1, or the first business day thereafter (the "Offering Commencement Dates"). Each Offering Commencement Date will begin a six-month or one-year period (a "Plan Period") during which payroll deductions will be made and held for the purchase of Common Stock at the end of the Plan Period.

4. Participation. An employee eligible on the Offering Commencement Date of any Offering may participate in such Offering by completing and forwarding a payroll deduction authorization form to the employee's appropriate payroll office, or in any other manner determined to be appropriate by the Board or the Committee ("Appropriate Authorization"), at least ten (10) days prior to the applicable Offering Commencement Date. The Appropriate Authorization will authorize a regular payroll deduction from the Compensation received by the employee during the Plan Period. Unless an employee notifies the Company of a new Appropriate Authorization or withdraws from the Plan, his deductions and purchases will continue at the same rate for future Offerings under the Plan as long as the Plan remains in effect. The term "Compensation" means the amount of money reportable on the employee's Federal Income Tax Withholding Statement, excluding allowances and reimbursements for expenses such as relocation allowances, travel expenses, income or gains on the exercise of Company stock options or stock appreciation rights, whether or not shown on the employee's Federal Income Tax Withholding Statement, but including, in the case of salespersons, sales commissions.

5. Deductions. The Company will maintain payroll deduction accounts for all participating employees. With respect to any Offering made under this Plan, an employee may authorize a payroll deduction in any dollar amount up to a maximum of 10% of the Compensation he receives during the Plan Period. In no event may an employee's total

payroll deductions during a calendar year exceed \$20,000. The minimum payroll deduction is such percentage of Compensation as may be established from time to time by the Board or the Committee.

No employee may be granted an Option (as defined in Section 9) which permits his rights to purchase Common Stock under this Plan and any other employee stock purchase plan (as defined in Section 423(b) of the Code) of the Company and its subsidiaries, to accrue at a rate which exceeds \$25,000 of the fair market value of such Common Stock (determined as of the last business day of the Plan Period) for each calendar year in which the Option is outstanding at any time.

6. Deduction Changes. An employee may increase, decrease or discontinue his or her payroll deduction once during any Plan Period, by effecting a new Appropriate Authorization. If an employee elects to discontinue his or her payroll deductions during a Plan Period, but does not elect to withdraw his or her funds pursuant to Section 8 hereof, funds deducted prior to his or her election to discontinue will be applied to the purchase of Common Stock on the Exercise Date (as defined below).

7. Interest. Interest will not be paid on any employee accounts.

8. Withdrawal of Funds. An employee may at any time prior to the close of business on the last business day in a Plan Period and for any reason permanently draw out the balance accumulated in the employee's account and thereby withdraw from participation in an Offering. Partial withdrawals are not permitted. Any employee who withdraws from participation in an Offering shall not be permitted to participate in the Plan again until the start of the next Plan Period.

9. Purchase of Shares. On the Offering Commencement Date of each Plan Period, the Company will grant to each eligible employee who is then a participant in the Plan an option ("Option") to purchase on the last business day of such Plan Period (the "Exercise Date"), at the Option Price hereinafter provided for, the largest number of whole shares of Common Stock of the Company as does not exceed the number of shares determined by dividing \$12,500 (in the case of a six-month Plan Period) or \$25,000 (in the case of a one-year Plan Period) by the closing price (as defined below) on the Offering Commencement Date of such Plan Period.

The purchase price for each share purchased will be 95% of the closing price of the Common Stock on the Exercise Date. Such closing price shall be (a) the closing price on any national securities exchange on which the Common Stock is listed, (b) the closing price of the Common Stock on the Nasdaq National Market or (c) the average of the closing bid and asked prices in the over-the-counter-market, whichever is applicable, as published in The Wall Street Journal. If no sales of Common Stock were made on such a day, the price of the Common Stock for purposes of clauses (a) and (b) above shall be the reported price for the next preceding day on which sales were made.

Each employee who continues to be a participant in the Plan on the Exercise Date shall be deemed to have exercised his or her Option at the Option Price on such date and shall be deemed to have purchased from the Company the number of full shares of Common Stock reserved for the purpose of the Plan that his or her accumulated payroll deductions on such date will pay for, but not in excess of the maximum number determined in the manner set forth above.

Any balance remaining in an employee's payroll deduction account at the end of a Plan Period will be automatically refunded to the employee, except that any balance which is less than the purchase price of one share of Common Stock will be carried forward into the employee's payroll deduction account for the following Offering, unless the employee elects not to participate in the following Offering under the Plan, in which case the balance in the employee's account shall be refunded.

10. Issuance of Certificates. Certificates representing shares of Common Stock purchased under the Plan may be issued only in the name of the employee, in the name of the employee and another person of legal age as joint tenants with rights of survivorship, or (in the Company's sole discretion) in the name of a brokerage firm, bank or other nominee holder designated by the employee. The Company may, in its sole discretion and in compliance with applicable laws, authorize the use of book entry registration of shares in lieu of issuing stock certificates.

11. Rights on Retirement, Death or Termination of Employment. In the event of a participating employee's termination of employment prior to the last business day of a Plan Period, no payroll deduction shall be taken from any pay due and owing to an employee and the balance in the employee's account shall be paid to the employee or, in the event of the employee's death, (a) to a beneficiary previously designated in a revocable notice signed by the employee

(with any spousal consent required under state law) or (b) in the absence of such a designated beneficiary, to the executor or administrator of the employee's estate or (c) if no such executor or administrator has been appointed to the knowledge of the Company, to such other person(s) as the Company may, in its discretion, designate.

12. **Optionees Not Stockholders.** Neither the granting of an Option to an employee nor the deductions from his or her pay shall constitute such employee a stockholder of the shares of Common Stock covered by an Option under this Plan until such shares have been purchased by and issued to him or her.

13. **Rights Not Transferable.** Rights under this Plan are not transferable by a participating employee other than by will or the laws of descent and distribution, and are exercisable during the employee's lifetime only by the employee.

14. **Application of Funds.** All funds received or held by the Company under this Plan may be combined with other corporate funds and may be used for any corporate purpose.

15. **Adjustment in Case of Changes Affecting Common Stock.** In the event of a subdivision of outstanding shares of Common Stock, or the payment of a dividend in Common Stock, the number of shares reserved for issuance under this Plan, the number of shares issuable in any Offering, and the share limitation set forth in Section 9, shall be increased proportionately, and such other adjustment shall be made as may be deemed equitable by the Board or the Committee. In the event of any other change affecting the Common Stock, such adjustment shall be made as may be deemed equitable by the Board or the Committee to give proper effect to such event.

16. **Merger.** In the event of a proposed sale of all or substantially all of the assets of the Company or a merger or consolidation of the Company with or into another corporation (other than a merger in which the Company is the surviving corporation and the holders of the capital stock of the Company immediately prior to such merger continue to hold at least 50% by voting power of the capital stock of the Company) or the proposed dissolution or liquidation of the Company during a Plan Period, the Board or the Committee shall set a new Exercise Date (the "New Exercise Date") for such Plan Period, and such Plan Period shall end on the New Exercise Date. The New Exercise Date shall be before the date of such asset sale, merger, consolidation, dissolution or liquidation. The Board or the Committee shall send written notice to each employee participating in the Offering for such Plan Period, at least ten business days prior to the New Exercise Date, that the Exercise Date for such Offering has been changed to the New Exercise Date and that the employee's Option shall be exercised automatically on the New Exercise Date, unless prior to such date the employee has withdrawn from such Offering as provided in Section 8 hereof.

17. **Amendment of the Plan.** The Board may at any time, and from time to time, amend this Plan in any respect, except that (a) if the approval of any such amendment by the shareholders of the Company is required by Section 423 of the Code, such amendment shall not be effected without such approval, and (b) in no event may any amendment be made which would cause the Plan to fail to comply with Section 423 of the Code.

18. **Insufficient Shares.** In the event that the total number of shares of Common Stock specified in elections to be purchased under any Offering plus the number of shares purchased under previous Offerings under this Plan exceeds the maximum number of shares issuable under this Plan, the Board or the Committee will allot the shares then available on a pro rata basis. Any balance remaining in an employee's payroll deduction account at the end of a Plan Period due to an insufficiency of shares will be refunded to the employee without interest.

19. **Termination of the Plan.** This Plan may be terminated at any time by the Board. Upon termination of this Plan all amounts in the accounts of participating employees shall be promptly refunded.

20. **Governmental Regulations.** The Company's obligation to sell and deliver Common Stock under this Plan is subject to listing on a national stock exchange or quotation on the Nasdaq National Market and the approval of all governmental authorities required in connection with the authorization, issuance or sale of such stock.

21. **Governing Law.** The Plan shall be governed by New Hampshire law except to the extent that such law is preempted by federal law.

22. **Issuance of Shares.** Shares may be issued upon exercise of an Option from authorized but unissued Common Stock, from shares held in the treasury of the Company, or from any other proper source.

23. Notification upon Sale of Shares. Each employee agrees, by entering the Plan, to promptly give the Company notice of any disposition of shares purchased under the Plan where such disposition occurs within two years after the date of grant of the Option pursuant to which such shares were purchased.

24. Effective Date and Approval of Shareholders. The Plan shall take effect on January 1, 1999, but is subject to approval by the stockholders of the Company as required by Section 423 of the Code, which approval must occur within twelve months of the adoption of the Plan by the Board.

Approved by the Board of Directors on April 30, 2009.

Approved by shareholders on June 17, 2009.

CERTIFICATION

I, Timothy J. McGrath, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PC Connection, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2025

/s/ TIMOTHY J. MCGRATH

Timothy J. McGrath
President and Chief Executive Officer (Principal
Executive Officer)

CERTIFICATION

I, Thomas C. Baker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PC Connection, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2025

/s/ THOMAS C. BAKER

Thomas C. Baker
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PC Connection, Inc. (the "Company") for the period ended June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Timothy J. McGrath, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2025

/s/ TIMOTHY J. MCGRATH

Timothy J. McGrath
President and Chief Executive Officer (Principal
Executive Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PC Connection, Inc. (the "Company") for the period ended June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Thomas C. Baker, Senior Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2025

/s/ THOMAS C. BAKER

Thomas C. Baker
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)
