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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 September 30, 2026

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	**02-0513618**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
730 Milford Road **Merrimack, New Hampshire**	**03054**
(Address of principal executive offices)	(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 October 21, 2026 was 25,247,910.

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)

	September 30, 2026	December 31, 2025
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 124,597	$ 193,221
Short-term investments	218,717	213,457
Accounts receivable, net	789,590	648,020
Inventories, net	226,599	143,567
Prepaid expenses and other current assets	23,718	22,607
Total current assets	1,383,221	1,220,872
Property and equipment, net	45,569	46,912
Right-of-use assets	7,541	1,569
Goodwill	73,602	73,602
Intangibles, net	450	989
Other assets	5,915	6,981
Total Assets	$ 1,516,298	$ 1,350,925
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 413,156	$ 338,202
Accrued payroll	36,800	30,939
Accrued expenses and other liabilities	58,240	51,251
Total current liabilities	508,196	420,392
Deferred income taxes	20,261	19,905
Non-current operating lease liabilities	6,712	498
Total Liabilities	535,169	440,795
Commitments and Contingencies (Note 8)		
Stockholders' Equity:		
Common stock	296	295
Additional paid-in capital	151,805	144,608
Retained earnings	972,606	905,890
Accumulated other comprehensive (loss) income	(414)	78
Treasury stock, at cost	(143,164)	(140,741)
Total Stockholders' Equity	981,129	910,130
Total Liabilities and Stockholders' Equity	$ 1,516,298	$ 1,350,925

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 September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Net sales	$ 874,313	$ 709,068	$ 2,450,175	$ 2,169,807
Cost of sales	712,452	570,423	1,998,104	1,766,085
Gross profit	161,861	138,645	452,071	403,722
Selling, general and administrative expenses	120,881	108,379	344,794	325,107
Severance expenses	—	—	3,060	2,930
Income from operations	40,980	30,266	104,217	75,685
Interest income, net	2,467	3,689	8,355	10,805
Other income	—	—	—	76
Income before taxes	43,447	33,955	112,572	86,566
Income tax provision	(11,989)	(9,215)	(30,723)	(23,556)
Net income	$ 31,458	$ 24,740	$ 81,849	$ 63,010
Earnings per common share:				
Basic	$ 1.25	$ 0.98	$ 3.25	$ 2.46
Diluted	$ 1.24	$ 0.97	$ 3.23	$ 2.45
Shares used in computation of earnings per common share:				
Basic	25,241	25,354	25,223	25,609
Diluted	25,441	25,489	25,362	25,734

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 September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Net income	$ 31,458	$ 24,740	$ 81,849	$ 63,010
Other comprehensive (loss) income:				
Unrealized (losses) gains on available-for-sale investments, net of tax of $55 and $131 for the three and nine months ended September 30, 2026, respectively, and net of tax of $(36) and $24 for the three and nine months ended September 30, 2025, respectively	(206)	138	(492)	(89)
Comprehensive income	$ 31,252	$ 24,878	$ 81,357	$ 62,921

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 September 30, 2026

	Common Stock		Additional	Retained	Accumulated Other	Treasury Shares		
	Shares	Amount	Paid-In Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Total
Balance - June 30, 2026	29,584	$ 296	$ 149,530	$ 946,196	$ (208)	(4,346)	$ (143,164)	$ 952,650
Stock-based compensation expense	—	—	2,658	—	—	—	—	2,658
Restricted stock units vested	10	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(383)	—	—	—	—	(383)
Dividend declaration ($0.20 per share)	—	—	—	(5,048)	—	—	—	(5,048)
Net income	—	—	—	31,458	—	—	—	31,458
Other comprehensive loss, net of tax	—	—	—	—	(206)	—	—	(206)
Balance - September 30, 2026	29,594	$ 296	$ 151,805	$ 972,606	$ (414)	(4,346)	$ (143,164)	$ 981,129

Three Months Ended September 30, 2025

	Common Stock		Additional	Retained	Accumulated Other	Treasury Shares		
	Shares	Amount	Paid-In Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Total
Balance - June 30, 2025	29,438	$ 294	$ 141,406	$ 868,016	$ (53)	(4,042)	$ (124,843)	$ 884,820
Stock-based compensation expense	—	—	2,433	—	—	—	—	2,433
Restricted stock units vested	13	1	(1)	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(425)	—	—	—	—	(425)
Repurchase of common stock for treasury	—	—	—	—	—	(83)	(5,165)	(5,165)
Dividend declaration ($0.15 per share)	—	—	—	(3,799)	—	—	—	(3,799)
Net income	—	—	—	24,740	—	—	—	24,740
Other comprehensive income, net of tax	—	—	—	—	138	—	—	138
Balance - September 30, 2025	29,451	$ 295	$ 143,413	$ 888,957	$ 85	(4,125)	$ (130,008)	$ 902,742

Nine Months Ended September 30, 2026

	Common Stock		Additional	Retained	Accumulated Other	Treasury Shares		
	Shares	Amount	Paid-In Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Total
Balance - December 31, 2025	29,525	$ 295	$ 144,608	$ 905,890	$ 78	(4,304)	$ (140,741)	$ 910,130
Stock-based compensation expense	—	—	7,950	—	—	—	—	7,950
Restricted stock units vested	60	1	(1)	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(1,354)	—	—	—	—	(1,354)
Repurchase of common stock for treasury	—	—	—	—	—	(42)	(2,423)	(2,423)
Issuance of common stock under Employee Stock Purchase Plan	9	—	602	—	—	—	—	602
Dividend declaration ($0.20 per share)	—	—	—	(15,133)	—	—	—	(15,133)
Net income	—	—	—	81,849	—	—	—	81,849
Other comprehensive loss, net of tax	—	—	—	—	(492)	—	—	(492)
Balance - September 30, 2026	29,594	$ 296	$ 151,805	$ 972,606	$ (414)	(4,346)	$ (143,164)	$ 981,129

Nine Months Ended September 30, 2025

	Common Stock		Additional	Retained	Accumulated Other	Treasury Shares		
	Shares	Amount	Paid-In Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Total
Balance - December 31, 2024	29,390	$ 294	$ 137,036	$ 837,466	$ 174	(3,090)	$ (63,980)	$ 910,990
Stock-based compensation expense	—	—	7,102	—	—	—	—	7,102
Restricted stock units vested	51	1	(1)	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(1,343)	—	—	—	—	(1,343)
Repurchase of common stock for treasury	—	—	—	—	—	(1,035)	(66,028)	(66,028)
Issuance of common stock under Employee Stock Purchase Plan	10	—	619	—	—	—	—	619
Dividend declaration ($0.15 per share)	—	—	—	(11,519)	—	—	—	(11,519)
Net income	—	—	—	63,010	—	—	—	63,010
Other comprehensive loss, net of tax	—	—	—	—	(89)	—	—	(89)
Balance - September 30, 2025	29,451	$ 295	$ 143,413	$ 888,957	$ 85	(4,125)	$ (130,008)	$ 902,742

See notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2026	**2025**
Cash Flows (used in) provided by Operating Activities:		
Net income	$ 81,849	$ 63,010
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	8,173	8,853
Adjustments to credit losses reserve	3,210	1,233
Stock-based compensation expense	7,950	7,102
Deferred income taxes	487	3,185
Amortization of discount on short-term investments, net	(2,113)	(1,612)
Gain on sale of short-term investments	—	(76)
Loss on disposal of fixed assets	149	30
Changes in assets and liabilities:		
Accounts receivable	(144,780)	(6,504)
Inventories	(83,032)	(39,964)
Prepaid expenses and other current assets	(1,111)	(4,854)
Other non-current assets	1,066	(3,803)
Accounts payable	74,505	11,905
Accrued expenses and other liabilities	13,828	(485)
Net cash (used in) provided by operating activities	(39,819)	38,020
Cash Flows (used in) provided by Investing Activities:		
Purchases of short-term investments	(161,155)	(155,574)
Proceeds from sale of short-term investments	—	108,763
Maturities of short-term investments	157,385	101,328
Purchases of property and equipment	(5,991)	(5,201)
Net cash (used in) provided by investing activities	(9,761)	49,316
Cash Flows used in Financing Activities:		
Proceeds from short-term borrowings	—	732
Repayment of short-term borrowings	—	(732)
Purchase of common stock for treasury shares	(2,481)	(65,530)
Payments for excise tax on purchase of common stock for treasury shares	(678)	(36)
Dividend payments	(15,133)	(11,519)
Issuance of common stock under Employee Stock Purchase Plan	602	619
Payment of payroll taxes on stock-based compensation through shares withheld	(1,354)	(1,343)
Net cash used in financing activities	(19,044)	(77,809)
(Decrease) increase in cash and cash equivalents	(68,624)	9,527
Cash and cash equivalents, beginning of period	193,221	178,318
Cash and cash equivalents, end of period	$ 124,597	$ 187,845
Non-cash Investing and Financing Activities:		
Accrued purchases of property and equipment	$ 534	$ 866
Accrued purchase of treasury shares	$ —	$ 123
Accrued excise tax on treasury purchases	$ —	$ 615

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, 2025, 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, 2025.

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 nine months ended September 30, 2026 may not be indicative of the results expected for any succeeding quarter or the entire year ending December 31, 2026.

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 $2,468 and $8,132 for the three and nine months ended September 30, 2026, respectively, and $3,689 and $10,706 for the three and nine months ended September 30, 2025, respectively.

Treasury Stock, at Cost

The total repurchases for the nine months ended September 30, 2026 and 2025 were recorded as treasury stock of $2,423 and $66,028, 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 nine months ended September 30, 2026 and 2025 were related to voluntary and involuntary reductions in the Company's workforce to lower the Company's cost structure. Both the voluntary and involuntary reductions included cash severance and other related termination benefits. The majority of each of these costs are expected to be paid within a year of the applicable termination. Included in accrued payroll on the condensed consolidated balance sheets as of September 30, 2026 was $427 related to unpaid severance expenses.

Recently Issued Financial Accounting Standards

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.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This guidance provides a practical expedient related to estimating expected credit losses for accounts receivable and contract assets by assuming that current conditions remain unchanged over the life of the asset. This ASU is effective for the Company's annual reporting periods beginning January 1, 2026, and for interim reporting periods beginning January 1, 2027, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. This guidance was issued to establish new criteria to be considered for capitalization of software costs under Subtopic 350-40, as well as link the disclosure requirements of Subtopic 360-10 to capitalized costs accounted for under Subtopic 350-40. This ASU is effective for the Company's annual reporting periods beginning January 1, 2028, and for interim reporting periods beginning January 1, 2029, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*. This guidance is intended to improve the navigability of required interim disclosures and clarify when the guidance is applicable, as well as provide additional guidance on what disclosures should be provided in interim reporting periods. This ASU is effective for the Company's 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 condensed consolidated financial statement disclosures.

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 September 30, 2026 and 2025, along with the segment for each category (in thousands).

	Three Months Ended September 30, 2026			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 109,139	$ 119,194	$ 54,420	$ 282,753
Desktops	81,990	28,599	10,427	121,016
Software	44,503	49,310	23,370	117,183
Servers/Storage	14,496	45,378	14,529	74,403
Net/Com Products	36,395	20,805	9,792	66,992
Displays and Sound	34,630	21,447	11,365	67,442
Accessories	56,588	21,694	7,682	85,964
Other Hardware/Services	29,735	21,796	7,029	58,560
Total net sales	$ 407,476	$ 328,223	$ 138,614	$ 874,313

	Three Months Ended September 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 101,460	$ 87,488	$ 49,843	$ 238,791
Desktops	42,120	23,331	14,735	80,186
Software	35,183	41,456	18,490	95,129
Servers/Storage	17,724	23,139	10,413	51,276
Net/Com Products	19,825	17,489	9,449	46,763
Displays and Sound	29,748	21,191	11,885	62,824
Accessories	48,693	24,385	9,334	82,412
Other Hardware/Services	24,991	18,362	8,334	51,687
Total net sales	$ 319,744	$ 256,841	$ 132,483	$ 709,068

The following tables represent a disaggregation of revenue from arrangements with customers for the nine months ended September 30, 2026 and 2025, along with the segment for each category (in thousands).

	Nine Months Ended September 30, 2026			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 356,787	$ 378,425	$ 151,388	$ 886,600
Desktops	186,900	80,667	37,137	304,704
Software	104,668	127,015	42,866	274,549
Servers/Storage	55,483	91,691	30,557	177,731
Net/Com Products	80,430	68,818	28,397	177,645
Displays and Sound	100,162	65,141	36,042	201,345
Accessories	151,558	72,500	28,799	252,857
Other Hardware/Services	87,579	63,398	23,767	174,744
Total net sales	$ 1,123,567	$ 947,655	$ 378,953	$ 2,450,175

	Nine Months Ended September 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 286,685	$ 295,909	$ 174,881	$ 757,475
Desktops	153,305	75,683	44,614	273,602
Software	92,017	111,218	34,863	238,098
Servers/Storage	57,350	77,556	37,780	172,686
Net/Com Products	61,612	55,000	30,669	147,281
Displays and Sound	82,812	64,094	36,084	182,990
Accessories	132,642	72,560	35,067	240,269
Other Hardware/Services	77,335	56,374	23,697	157,406
Total net sales	$ 943,758	$ 808,394	$ 417,655	$ 2,169,807

Contract Balances

The following table provides information about contract liabilities from arrangements with customers as of September 30, 2026 and December 31, 2025 (in thousands).

	September 30, 2026	December 31, 2025
Contract liabilities, which are included in "Accrued expenses and other liabilities"	$ 11,889	$ 8,801

Changes in the contract liability balances during the nine months ended September 30, 2026 and 2025 are as follows (in thousands):

	2026
Balance at December 31, 2025	$ 8,801
Cash received in advance and not recognized as revenue	20,106
Amounts recognized as revenue as performance obligations satisfied	(17,018)
Balance at September 30, 2026	$ 11,889

	2025
Balance at December 31, 2024	$ 10,290
Cash received in advance and not recognized as revenue	27,290
Amounts recognized as revenue as performance obligations satisfied	(29,777)
Balance at September 30, 2025	$ 7,803

Note 3–Fair Value Measurements

Cash equivalents and short-term investments as of September 30, 2026 and December 31, 2025 consist of the following (in thousands):

	September 30, 2026			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	$ 80,267	$ —	$ —	$ 80,267
Short-term investments:				
U.S. Government treasury securities	219,241	—	(524)	218,717
Total	$ 299,508	$ —	$ (524)	$ 298,984

	December 31, 2025			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	$ 170,826	$ —	$ —	$ 170,826
Short-term investments:				
U.S. Government treasury securities	213,358	99	—	213,457
Total	$ 384,184	$ 99	$ —	$ 384,283

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 September 30, 2026 and December 31, 2025, 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 nine months ended September 30, 2026 and 2025 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Numerator:				
Net income	$ 31,458	$ 24,740	$ 81,849	$ 63,010
Denominator:				
Denominator for basic earnings per share	25,241	25,354	25,223	25,609
Dilutive effect of employee stock awards	200	135	139	125
Denominator for diluted earnings per share	25,441	25,489	25,362	25,734
Earnings per share:				
Basic	$ 1.25	$ 0.98	$ 3.25	$ 2.46
Diluted	$ 1.24	$ 0.97	$ 3.23	$ 2.45

For the three and nine months ended September 30, 2026 and 2025, 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. The costs for these leases are presented within short-term lease cost in the below table.

As of September 30, 2026, 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 nine months ended September 30, 2026 and 2025 (dollars in thousands):

	Three Months Ended September 30, 2026			Nine Months Ended September 30, 2026		
	Related Parties	Others	Total	Related Parties	Others	Total
Lease Cost						
Capitalized operating lease cost	$ —	$ 425	$ 425	$ —	$ 1,442	$ 1,442
Short-term lease cost	418	219	637	1,255	552	1,807
Total lease cost	$ 418	$ 644	$ 1,062	$ 1,255	$ 1,994	$ 3,249
Other Information						
Cash paid for amounts included in the measurement of lease liabilities and capitalized operating leases:						
Operating cash flows	$ —	$ 282	$ 282	$ —	$ 1,136	$ 1,136
Right-of-use assets obtained in exchange for lease obligations						
Operating leases	$ —	$ 559	$ 559	$ —	$ 7,170	$ 7,170
Weighted-average remaining lease term (in years):						
Capitalized operating leases				—	6.05	6.05
Weighted-average discount rate:						
Capitalized operating leases				0.00%	4.64%	4.64%

	Three Months Ended September 30, 2025			Nine Months Ended September 30, 2025		
	Related Parties	Others	Total	Related Parties	Others	Total
Lease Cost						
Capitalized operating lease cost	$ —	$ 461	$ 461	$ —	$ 1,383	$ 1,383
Short-term lease cost	420	148	568	1,260	444	1,704
Total lease cost	$ 420	$ 609	$ 1,029	$ 1,260	$ 1,827	$ 3,087
Other Information						
Cash paid for amounts included in the measurement of lease liabilities and capitalized operating leases:						
Operating cash flows	$ —	$ 516	$ 516	$ —	$ 1,541	$ 1,541
Weighted-average remaining lease term (in years):						
Capitalized operating leases				—	1.47	1.47
Weighted-average discount rate:						
Capitalized operating leases				0.00%	4.33%	4.33%

As of September 30, 2026, future lease payments over the remaining term of capitalized operating leases were as follows (in thousands):

For the Years Ended December 31,	
2026, excluding the nine months ended September 30, 2026	$ 99
2027	1,496
2028	1,603
2029	1,386
2030	1,281
Thereafter	3,240
	$ 9,105
Imputed interest	$ (1,275)
Lease liability balance at September 30, 2026	$ 7,830

As of September 30, 2026, the right-of-use, or ROU, asset had a balance of $7,541. The long-term lease liability was $6,712 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was $1,118. As of December 31, 2025, the ROU asset had a balance of $1,569. The long-term lease liability was $498 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was $1,290.

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):

	Nine Months Ended September 30, 2026
Balance - December 31, 2025	$ 78
Other comprehensive loss before reclassifications, net of tax	(426)
Less amounts reclassified from accumulated other comprehensive (loss) income, net of tax	66
Net other comprehensive loss	(492)
Balance - September 30, 2026	$ (414)

	Nine Months Ended September 30, 2025
Balance - December 31, 2024	$ 174
Other comprehensive income before reclassifications, net of tax	12
Less amounts reclassified from accumulated other comprehensive (loss) income, net of tax	101
Net other comprehensive loss	(89)
Balance - September 30, 2025	$ 85

Included in amounts reclassified from accumulated other comprehensive (loss) income, net of tax for the nine months ended September 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 segment's 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 nine months ended September 30, 2026 and 2025 are shown below (in thousands):

	Three Months Ended September 30, 2026			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	$ 407,476	$ 328,223	$ 138,614	$ 874,313
Cost of sales	347,272	250,051	115,129	
Personnel costs	20,913	19,604	9,253	
Marketing	1,344	4,453	790	
Allocated corporate overhead	19,921	23,927	11,964	
Depreciation and amortization	60	2	7	
Other segment expenses[1]	1,120	1,691	1,791	
Operating income (loss)	$ 16,846	$ 28,495	$ (320)	$ 45,021
Unallocated Headquarters/Other expenses				(4,041)
Interest income, net				2,467
Income before taxes				$ 43,447

	Three Months Ended September 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	$ 319,744	$ 256,841	$ 132,483	$ 709,068
Cost of sales	271,976	188,779	109,668	
Personnel costs	16,626	17,490	9,603	
Marketing	895	2,724	675	
Allocated corporate overhead	18,999	22,822	11,410	
Depreciation and amortization	195	155	22	
Other segment expenses[1]	670	1,165	1,730	
Operating income (loss)	$ 10,383	$ 23,706	$ (625)	$ 33,464
Unallocated Headquarters/Other expenses				(3,198)
Interest income, net				3,689
Income before taxes				$ 33,955

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.

	Nine Months Ended September 30, 2026			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	$ 1,123,567	$ 947,655	$ 378,953	$ 2,450,175
Cost of sales	957,993	722,899	317,212	
Personnel costs	56,852	55,457	26,264	
Marketing	4,690	12,227	2,774	
Allocated corporate overhead	57,639	69,297	34,647	
Depreciation and amortization	406	260	32	
Other segment expenses[1]	3,375	5,404	4,482	
Operating income (loss)	$ 42,612	$ 82,111	$ (6,458)	$ 118,265
Unallocated Headquarters/Other expenses				(14,048)
Interest income, net				8,355
Income before taxes				$ 112,572
Segment assets	$ 864,737	$ 709,215	$ 93,102	$ 1,667,054
Headquarters/Other assets				(150,756)
Consolidated assets				$ 1,516,298

	Nine Months Ended September 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	$ 943,758	$ 808,394	$ 417,655	$ 2,169,807
Cost of sales	806,070	606,076	353,939	
Personnel costs	49,791	52,927	28,462	
Marketing	3,779	10,127	2,334	
Allocated corporate overhead	55,358	65,819	32,909	
Depreciation and amortization	582	465	67	
Other segment expenses[1]	2,947	5,293	6,043	
Operating income (loss)	$ 25,231	$ 67,687	$ (6,099)	$ 86,819
Unallocated Headquarters/Other expenses				(11,134)
Interest income, net				10,805
Other income				76
Income before taxes				$ 86,566
Segment assets	$ 743,554	$ 620,098	$ 94,832	$ 1,458,484
Headquarters/Other assets				(152,964)
Consolidated assets				$ 1,305,520

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 September 30, 2026 and 2025, total assets for the Headquarters/Other were presented net of intercompany balance eliminations of $56,785 and $51,204, 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 three months ended March 31, 2025, the Company borrowed incremental amounts that were each repaid in full. These borrowings for the three months ended March 31, 2025 totaled $732; 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.

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 $65,925 and $58,563 at September 30, 2026 and December 31, 2025, respectively.

Note 11–Supplemental Cash Flow Information

Income taxes paid, net of refunds received for the nine months ended September 30, 2026 was $25,172. Income taxes paid for the nine months ended September 30, 2025 was $24,837.

Note 12–Subsequent Events

On October 14, 2026, the Company announced that Matthew Zafirovski joined the Company as President and Chief Operating Officer effective October 12, 2026. In connection with Mr. Zafirovski's appointment, Timothy J. McGrath ceased serving as President of the Company, effective October 12, 2026. Mr. McGrath continues to serve as the Company's Chief Executive Officer. The compensation costs associated with Mr. Zafirovski's employment were disclosed in the Company's 8-K filed with the SEC on October 14, 2026.

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, government shutdowns, the impact of conflicts in Iran and the Middle East, changes in tax policy, rising inflation and changing interest rates modifying our potential for investment income and the timing thereof or reducing the level of investment our customers are willing to make in IT products;*
- *supply constraints, such as the global memory (DRAM and NAND) shortage;*
- *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, 2025, 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 IT, 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, security, artificial intelligence, software and peripheral equipment, networking communications, and other products and accessories that we develop internally and secure from manufacturers, distributors, and other suppliers. Our Technology Solutions and Services Organization, or TSSO, and state-of-the-art ISO 9001:2015 SOC 2 Type 2 certified Technology Integration and Distribution Center 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., HP Inc., Hewlett-Packard Enterprise, Intel, Lenovo, Microsoft Corporation, and VMware by Broadcom, and we partner with more than 1,600 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 TSSO, 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 ongoing global memory shortage (DRAM and NAND) could result in increased inventory costs, which may reduce our margins or require us to raise prices. The memory shortage could additionally result in a lack of availability of products, which could negatively impact our results of operations. As a result of these ongoing and anticipated shortages, we have purchased and may continue to purchase product in advance of customer orders, while customers may accelerate or delay purchasing depending on their capital resources.

The 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.

KEY OPERATING METRIC

Gross Billings

We utilize key operating metrics to track and assess the performance of our business, including gross billings. Gross billings is the total dollar value of goods and services billed during the period, net of customer returns, credit memos, and any applicable sales or other taxes and includes agency fees, and freight. As certain transactions are recognized on a net basis, gross billings include amounts not recognized in net sales.

We use the gross billings operating metric for planning, forecasting, and evaluating the sales performance of our operating segments by providing insight into the total value of our business transactions. We believe that gross billings provides the same insight to investors.

The following table sets forth the gross billings for each of our operating segments and our consolidated entity (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Gross billings				
Enterprise Solutions	$ 521.2	$ 423.3	$ 1,437.8	$ 1,229.6
Business Solutions	522.7	428.2	1,464.8	1,261.3
Public Sector Solutions	233.3	218.5	566.1	584.5
Total gross billings	$ 1,277.2	$ 1,070.0	$ 3,468.7	$ 3,075.4

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 September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Net sales	$ 874.3	$ 709.1	$ 2,450.2	$ 2,169.8
Gross margin	18.5 %	19.6 %	18.5 %	18.6 %
Selling, general and administrative expenses	13.8 %	15.3 %	14.1 %	15.0 %
Income from operations	4.7 %	4.3 %	4.3 %	3.5 %

Net sales of $874.3 million for the third quarter of 2026 reflect an increase of $165.2 million, or 23.3% compared to the third quarter of 2025. The increase was primarily driven by increases in net sales of notebooks/mobility, desktops, servers/storage, software, net/com products, other hardware/services, displays and sound, and accessories of $44.0 million, $40.8 million, $23.1 million, $22.1 million, $20.2 million, $6.9 million, $4.6 million, and $3.6 million, respectively, as shown in the table in Note 2, “Revenue,” in the Notes to our Unaudited Condensed Consolidated Financial Statements. Gross profit for the third quarter of 2026 increased year-over-year by $23.3 million, or 16.8%, to $161.9 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 18.5% from 19.6% a year ago. The decrease in gross margin was primarily driven by a decrease in the amount of software sales recognized on a net basis relative to total net sales as these sales are recognized in the financial statements at 100% margin, as well as a decrease in invoice margins in net/com products primarily due to changes in customer mix. SG&A expenses as a percentage of net sales decreased to 13.8% compared to 15.3% a year ago, primarily due to the increase in net sales as discussed above. Operating income as a percentage of net sales increased to 4.7% compared to 4.3% a year ago, primarily due to the increases in net sales and gross profit as discussed above.

Net Sales Distribution

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Operating Segment				
Enterprise Solutions	47 %	45 %	46 %	44 %
Business Solutions	37	36	39	37
Public Sector Solutions	16	19	15	19
Total	100 %	100 %	100 %	100 %
Product Mix				
Notebooks/Mobility	32 %	34 %	36 %	35 %
Desktops	14	11	12	13
Software	13	13	11	11
Servers/Storage	9	7	7	8
Net/Com Products	8	7	7	7
Displays and Sound	8	9	8	8
Accessories	10	12	10	11
Other Hardware/Services	6	7	9	7
Total	100 %	100 %	100 %	100 %

Gross Profit Margin

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Operating Segment				
Enterprise Solutions	14.8 %	14.9 %	14.7 %	14.6 %
Business Solutions	23.8	26.5	23.7	25.0
Public Sector Solutions	16.9	17.2	16.3	15.3
Total Company	18.5 %	19.6 %	18.5 %	18.6 %

Operating Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Personnel costs	$ 92.0	$ 84.5	$ 262.3	$ 248.6
Marketing	7.1	4.9	21.1	17.3
Service contracts/subscriptions	7.6	6.2	21.6	19.4
Professional fees	3.4	4.1	9.1	12.2
Depreciation and amortization	2.7	2.9	8.2	8.9
Facilities operations	2.0	1.9	5.9	5.6
Credit card fees	1.8	1.7	4.8	4.7
Other	4.3	2.2	11.8	8.4
Total SG&A expense	$ 120.9	$ 108.4	$ 344.8	$ 325.1
As a percentage of net sales	13.8 %	15.3 %	14.1 %	15.0 %

Severance Expenses

There were no severance expenses incurred during the three months ended September 30, 2026 and 2025. During the nine months ended September 30, 2026 and 2025, we undertook actions to lower our cost structure. In connection with these initiatives, we incurred severance expenses of $3.1 million and $2.9 million for the nine months ended September 30, 2026 and 2025, respectively. The severance expenses were related to voluntary and involuntary reductions in our workforce. Both the voluntary and involuntary reductions included cash severance and other related termination benefits. The majority of each of these costs are expected to be paid within a year of the applicable termination and any unpaid balances are included in accrued payroll on the condensed consolidated balance sheets as of September 30, 2026.

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 September 30, 2026 and the three months ended September 30, 2025, and changes between the nine months ended September 30, 2026 and the nine months ended September 30, 2025.

Three Months Ended September 30, 2026 Compared to Three Months Ended September 30, 2025

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

	Three Months Ended September 30,					
	2026		2025			
	Amount	% of Net Sales	Amount	% of Net Sales	$ Change	% Change
Net Sales:						
Enterprise Solutions	$ 407.5	46.6 %	$ 319.8	45.1 %	$ 87.7	27.4 %
Business Solutions	328.2	37.5	256.8	36.2	71.4	27.8
Public Sector Solutions	138.6	15.9	132.5	18.7	6.1	4.6
Total	$ 874.3	100.0 %	$ 709.1	100.0 %	$ 165.2	23.3 %
Gross Profit:						
Enterprise Solutions	$ 60.2	14.8 %	$ 47.8	14.9 %	$ 12.4	26.0 %
Business Solutions	78.2	23.8	68.0	26.5	10.2	14.9
Public Sector Solutions	23.5	16.9	22.8	17.2	0.7	2.9
Total	$ 161.9	18.5 %	$ 138.6	19.6 %	$ 23.3	16.7 %

Net sales increased for the third quarter of 2026 compared to the third quarter of 2025, as explained by the year-over-year changes discussed below:

- Net sales of $407.5 million for the Enterprise Solutions segment reflect an increase of $87.7 million, or 27.4%. The increase in net sales is primarily due to increases in net sales of desktops, net/com products, software, accessories, notebooks/mobility, displays and sound, and other hardware/services of $39.9 million, $16.6 million, $9.3 million, $7.9 million, $7.7 million, $4.9 million, and $4.7 million, respectively. These increases were partially offset by a decrease in net sales of servers/storage products of $3.2 million.

- Net sales of $328.2 million for the Business Solutions segment reflect an increase of $71.4 million, or 27.8%. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, servers/storage, software, desktops, other hardware/services, and net/com products of $31.7 million, $22.2 million, $7.9 million, $5.3 million, $3.4 million, and $3.3 million, respectively. These increases were partially offset by a decrease in net sales of accessories of $2.7 million.

- Net sales of $138.6 million for the Public Sector Solutions segment reflect an increase of $6.1 million, or 4.6%. Sales to the state and local government increased by $10.5 million, or 10.2%, compared to the prior year quarter, while sales to federal government and educational institutions decreased by $4.4 million, or 15.3%. The increase in net sales is primarily due to increases in net sales of software, notebooks/mobility, and servers/storage of $4.9 million, $4.6 million, and $4.1 million, respectively. These increases were partially offset by decreases in net sales of desktops, accessories, and other hardware/services of $4.3 million, $1.7 million, and $1.3 million, respectively.

Gross profit for the third quarter of 2026 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross profit for the Enterprise Solutions segment increased by $12.4 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph.

- Gross profit for the Business Solutions segment increased by $10.2 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph.

- Gross profit for the Public Sector Solutions segment increased by $0.7 million primarily as a result of improved invoice margins in notebooks/mobility primarily due to changes in customer mix.

Gross margin for the third quarter of 2026 decreased year-over-year, as explained by the year-over-year changes discussed below:

- Gross margin for the Enterprise Solutions segment remained substantially the same year-over-year.
- Gross margin for the Business Solutions segment decreased by 270 basis points primarily as a result of a decrease in the amount of software sales recognized on a net basis relative to total net sales in the segment, as well as a decrease in invoice margins in notebooks/mobility primarily due to changes in customer mix.
- Gross margin for the Public Sector Solutions segment decreased by 30 basis points primarily as a result of a decrease in invoice margins in notebooks/mobility primarily due to changes in customer mix.

Selling, general and administrative expenses for the third quarter of 2026 increased in dollars but decreased as a percentage of net sales compared to the third quarter of 2025. 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 September 30,					
	2026		2025			
	Amount	% of Segment Net Sales	Amount	% of Segment Net Sales	$ Change	% Change
Enterprise Solutions	$ 43.4	10.7 %	$ 37.4	11.7 %	$ 6.0	16.0 %
Business Solutions	49.7	15.1	44.4	17.3	5.3	12.0
Public Sector Solutions	23.8	17.2	23.4	17.7	0.4	1.6
Headquarters/Other, unallocated	4.0		3.2		0.8	26.5
Total	$ 120.9	13.8 %	$ 108.4	15.3 %	$ 12.5	11.5 %

- 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 increases in personnel costs, use of shared Headquarter services, marketing, and other expenses of $4.3 million, $0.9 million, $0.4 million, and $0.4 million, respectively. SG&A expenses as a percentage of net sales were 10.7% for the Enterprise Solutions segment for the third quarter of 2026, which reflects a decrease of 100 basis points and is primarily due to the increase in net sales as discussed above.
- SG&A expenses for the Business 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 personnel costs, marketing, use of shared Headquarter services, and other expenses of $2.1 million, $1.7 million, $1.1 million, and $0.4 million, respectively. SG&A expenses as a percentage of net sales were 15.1% for the Business Solutions segment for the third quarter of 2026, which reflects a decrease of 220 basis points and is primarily due to the increase in net sales as 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 other expenses, use of shared Headquarter services, and marketing of $0.7 million, $0.6 million, and $0.1 million, respectively, partially offset by decreases in professional fees and personnel costs of $0.7 million and $0.4 million, respectively. SG&A expenses as a percentage of net sales were 17.2% for the Public Sector Solutions segment for the third quarter of 2026, which reflects a decrease of 50 basis points and is primarily due to the increase in net sales as discussed above.
- SG&A expenses for the Headquarters/Other increased year-over-year by $0.8 million primarily due to an increase in personnel costs, service contracts/subscriptions, and other expenses of $1.5 million, $1.3 million, and $0.5 million, respectively, partially offset by an increase in the allocated amounts to the operating segments of $2.6 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.

Income from operations for the third quarter of 2026 was $41.0 million, compared to $30.3 million for the third quarter of 2025. Income from operations as a percentage of net sales increased to 4.7% for the third quarter of 2026, compared to 4.3% for the prior year quarter. The increase in income from operations both in dollars and as a percentage of net sales is primarily due to the increases in net sales and gross profit as discussed above.

Interest income, net for the third quarter of 2026 decreased to $2.5 million, compared to $3.7 million for the third quarter of 2025, primarily due to a decrease in interest income of $1.2 million. The decrease in interest income is primarily a result of lower cash equivalent balances in the current period combined with lower realized interest rates in the current period.

Income taxes. Our provision for income taxes for the third quarter of 2026 increased to $12.0 million, compared to $9.2 million for the third quarter of 2025. The increase in our provision for income taxes was primarily due to the increase in income before taxes. Our effective tax rate was 27.6% for the quarter ended September 30, 2026, compared to 27.1% for the quarter ended September 30, 2025.

Net income for the third quarter of 2026 increased to $31.5 million, compared to $24.7 million for the third quarter of 2025, primarily due to the increase in income from operations, partially offset by the decrease in interest income, net and the increase in our provision for income taxes, as discussed above.

Nine Months Ended September 30, 2026 Compared to Nine Months Ended September 30, 2025

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

	Nine Months Ended September 30,					
	2026		2025			
	Amount	% of Net Sales	Amount	% of Net Sales	$ Change	% Change
Net Sales:						
Enterprise Solutions	$ 1,123.6	45.9 %	$ 943.8	43.5 %	$ 179.8	19.1 %
Business Solutions	947.7	38.7	808.4	37.3	139.3	17.2
Public Sector Solutions	378.9	15.4	417.6	19.2	(38.7)	(9.3)
Total	$ 2,450.2	100.0 %	$ 2,169.8	100.0 %	$ 280.4	12.9 %
Gross Profit:						
Enterprise Solutions	$ 165.6	14.7 %	$ 137.7	14.6 %	$ 27.9	20.3 %
Business Solutions	224.8	23.7	202.3	25.0	22.5	11.1
Public Sector Solutions	61.7	16.3	63.7	15.3	(2.0)	(3.1)
Total	$ 452.1	18.5 %	$ 403.7	18.6 %	$ 48.4	12.0 %

Net sales increased for the nine months ended September 30, 2026 compared to the nine months ended September 30, 2025, as explained by the year-over-year changes discussed below:

- Net sales of $1,123.6 million for the Enterprise Solutions segment reflect an increase of $179.8 million, or 19.1%. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, desktops, accessories, net/com products, displays and sound, software, and other hardware/services of $70.1 million, $33.6 million, $18.9 million, $18.8 million, $17.4 million, $12.7 million, and $10.2 million, respectively. These increases were partially offset by a decrease in net sales of servers/storage of $1.9 million.

- Net sales of $947.7 million for the Business Solutions segment reflect an increase of $139.3 million, or 17.2%. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, software, servers/storage, net/com products, other hardware/services, desktops, and displays and sounds of $82.5 million, $15.8 million, $14.1 million, $13.8 million, $7.0 million, $5.0 million, and $1.0 million, respectively.

- Net sales of $378.9 million for the Public Sector Solutions segment reflect a decrease of $38.7 million, or 9.3%. Sales to the federal government decreased by $53.3 million, or 46.7%, compared to the prior year period, primarily due to a few large orders in the prior period that did not repeat. Sales to state and local government and educational institutions increased by $14.6 million, or 4.8%. The decrease in net sales is primarily due to decreases in net sales of notebooks/mobility, desktops, servers/storage, accessories, and net/com products of $23.5 million, $7.5 million, $7.2 million, $6.3 million, and $2.3 million, respectively. These decreases were partially offset by an increase in net sales of software of $8.0 million.

Gross profit for the nine months ended September 30, 2026 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross profit for the Enterprise Solutions segment increased by $27.9 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph.

- Gross profit for the Business Solutions segment increased by $22.5 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph.

- Gross profit for the Public Sector Solutions segment decreased by $2.0 million year-over-year primarily due to the decrease in net sales as discussed in the preceding paragraph.

Gross margin for the nine months ended September 30, 2026 decreased year-over-year, as explained by the year-over-year changes discussed below:

- Gross margin for the Enterprise Solutions segment remained substantially the same year-over-year.

- Gross margin for the Business Solutions segment decreased by 130 basis points primarily as a result of decreases in invoice margins in desktops and notebooks/mobility primarily due to changes in customer mix.

- Gross margin for the Public Sector Solutions segment increased by 100 basis points primarily due to an increase in the amount of software sales recognized on a net basis relative to total net sales in the segment, as well as a few low-margin deals in the prior period that did not repeat.

Selling, general and administrative expenses for the nine months ended September 30, 2026 increased in dollars but decreased as a percentage of net sales compared to the nine months ended September 30, 2025. SG&A expenses attributable to our three segments and the remaining unallocated Headquarters/Other expenses are summarized in the table below (dollars in millions):

	Nine Months Ended September 30,					
	2026		2025			
	Amount	% of Segment Net Sales	Amount	% of Segment Net Sales	$ Change	% Change
Enterprise Solutions	$ 122.8	10.9 %	$ 112.5	11.9 %	$ 10.3	9.2 %
Business Solutions	142.4	15.0	133.0	16.5	9.4	7.0
Public Sector Solutions	67.6	17.8	69.8	16.7	(2.2)	(3.1)
Headquarters/Other, unallocated	12.0		9.8		2.2	22.0
Total	$ 344.8	14.1 %	$ 325.1	15.0 %	$ 19.7	6.1 %

- 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 increases in personnel costs, use of shared Headquarter services, and marketing of $7.1 million, $2.3 million, and $0.9 million, respectively. SG&A expenses as a percentage of net sales were 10.9% for the Enterprise Solutions segment for the nine months ended September 30, 2026, which reflects a decrease of 100 basis points and is primarily due to the increase in net sales as discussed above.

- SG&A expenses for the Business 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

use of shared Headquarter services, personnel costs, marketing, and other expenses of $3.5 million, $2.5 million, $2.1 million, and $1.1 million, respectively. SG&A expenses as a percentage of net sales were 15.0% for the Business Solutions segment for the nine months ended September 30, 2026, which reflects a decrease of 150 basis points and is primarily due to the increase in net sales as discussed above.

- SG&A expenses for the Public Sector Solutions segment decreased year-over-year in dollars but increased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to decreases in professional fees and personnel costs of $2.9 million and $2.2 million, respectively, partially offset by increases in use of shared Headquarter services and other expenses of $1.7 million and $1.0 million, respectively. SG&A expenses as a percentage of net sales were 17.8% for the Public Sector Solutions segment for the nine months ended September 30, 2026, which reflects an increase of 110 basis points and is primarily due to the decrease in net sales as discussed above.

- SG&A expenses for the Headquarters/Other increased year-over-year by $2.2 million primarily due to increases in personnel costs, service contracts/subscriptions, other expenses, marketing, and facility operations of $6.3 million, $2.1 million, $0.5 million, $0.4 million, and $0.4 million, respectively, partially offset by an increase in the allocated amounts to the operating segments of $7.5 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 for the nine months ended September 30, 2026 were $3.1 million, compared to $2.9 million for the nine months ended September 30, 2025. The severance expenses were related to voluntary and involuntary reductions in our workforce to lower our cost structure and included cash severance and other related termination benefits.

Income from operations for the nine months ended September 30, 2026 was $104.2 million, compared to $75.7 million for the nine months ended September 30, 2025. Income from operations as a percentage of net sales increased to 4.3% for the nine months ended September 30, 2026, compared to 3.5% for the prior year period. The increase in income from operations both in dollars and as a percentage of net sales is primarily due to the increases in net sales and gross profit as discussed above.

Interest income, net for the nine months ended September 30, 2026 decreased to $8.4 million, compared to $10.8 million for the nine months ended September 30, 2025, primarily due to a decrease in interest income of $2.4 million. The decrease in interest income is primarily a result of lower cash equivalent balances in the current period combined with lower realized interest rates in the current period.

Income taxes. Our provision for income taxes for the nine months ended September 30, 2026 increased to $30.7 million, compared to $23.6 million for the nine months ended September 30, 2025. The increase in our provision for income taxes was primarily due to the increase in income before taxes. Our effective tax rate was 27.3% for the nine months ended September 30, 2026, compared to 27.2% for the nine months ended September 30, 2025.

Net income for the nine months ended September 30, 2026 increased to $81.8 million, compared to $63.0 million for the nine months ended September 30, 2025, primarily due to the increase in income from operations, partially offset by the decrease in interest income, net and the increase in our provision for income taxes, 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 September 30, 2026, we had $124.6 million in cash and cash equivalents.
- *Short-term Investments*. As of September 30, 2026, we had $218.7 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 2026 dividend activity for our common stock is as follows:

Dividend Amount	Declaration Date	Record Date	Payment Date
$ 0.20	February 3, 2026	February 17, 2026	March 6, 2026
$ 0.20	April 28, 2026	May 12, 2026	May 29, 2026
$ 0.20	July 28, 2026	August 11, 2026	August 28, 2026

On October 28, 2026, we announced that our Board of Directors declared a quarterly cash dividend on our common stock of $0.20 per share. The dividend will be paid on November 27, 2026 to all stockholders of record as of the close of business on November 10, 2026. 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 nine months ended September 30, 2026 and 2025, 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):

	Nine Months Ended September 30,	
	2026	2025
Net cash (used in) provided by operating activities	$ (39.8)	$ 38.0
Net cash (used in) provided by investing activities	(9.8)	49.3
Net cash used in financing activities	(19.0)	(77.8)
(Decrease) increase in cash and cash equivalents	$ (68.6)	$ 9.5

Cash (used in) provided by operating activities is summarized as follows (in millions):

	Nine Months Ended September 30,		
	2026	2025	Change
Net income	$ 81.8	$ 63.0	$ 18.8
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	8.2	8.9	(0.7)
Adjustments to credit losses reserve	3.2	1.2	2.0
Stock-based compensation expense	8.0	7.1	0.9
Deferred income taxes	0.5	3.2	(2.7)
Amortization of discount on short-term investments, net	(2.1)	(1.6)	(0.5)
Other adjustments	0.1	—	0.1
Changes in assets and liabilities:			
Accounts receivable	(144.8)	(6.5)	(138.3)
Inventories	(83.0)	(40.0)	(43.0)
Prepaid expenses and other current assets	(1.1)	(4.9)	3.8
Other non-current assets	1.1	(3.8)	4.9
Accounts payable	74.5	11.9	62.6
Accrued expenses and other liabilities	13.8	(0.5)	14.3
Net cash (used in) provided by operating activities	$ (39.8)	$ 38.0	$ (77.8)

The decrease in net cash from operating activities of $77.8 million for the nine months ended September 30, 2026 was primarily attributable to changes in accounts receivable, accounts payable, and inventories of $138.3 million, $62.6 million, and $43.0 million, respectively. The change in cash from operating activities attributable to accounts receivable is primarily driven by the timing of customer deliveries. The change in cash from operating activities attributable to accounts payable is primarily due to the timing of payments. The change in cash from operating activities attributable to inventories is primarily due to bringing in inventory for several large scale customer deployments.

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:

	September 30,	
(in days)	2026	2025
Days of sales outstanding (DSO)[1]	74	74
Days of supply in inventory (DIO)[2]	29	22
Days of purchases outstanding (DPO)[3]	(53)	(50)
Cash conversion cycle	50	46

(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 50 days at September 30, 2026, compared to 46 days at September 30, 2025, as evidenced in the above cash conversion table. The increase in DIO is primarily due to the increase in inventory as of September 30, 2026 compared to September 30, 2025. The increase in DPO is primarily due to the increase in accounts payable as of September 30, 2026 compared to September 30, 2025.

Cash (used in) provided by investing activities for the nine months ended September 30, 2026 consisted of $161.2 million of purchases of U.S. Government treasury securities, $157.4 million of maturities of U.S. Government treasury securities, and $6.0 million of purchases of property and equipment. The 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 $155.6 million of purchases of U.S. Government treasury securities, $108.8 million of sales of U.S. Government treasury securities, $101.3 million of maturities of U.S. Government treasury securities, and $5.2 million of purchases of property and equipment.

Cash used in financing activities for the nine months ended September 30, 2026 consisted of $15.1 million of dividend payments, $2.5 million of treasury purchases, $0.7 million of excise tax payments on treasury purchases, $0.6 million of issuances of stock under the Employee Stock Purchase Plan, and $1.4 million of payments of payroll taxes on stock-based compensation through shares withheld. In the prior year period, financing activities consisted of $0.7 million of aggregate borrowings and repayments, $65.5 million of treasury purchases, $11.5 million of dividend payments, $0.6 million of issuances of stock under the Employee Stock Purchase Plan, and $1.3 million of payments of payroll taxes on stock-based compensation through shares withheld.

Contractual Agreements

Below is a summary of our 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.

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, including our corporate headquarters, from a related party, which is a company affiliated with us through common ownership. The lease agreement of our corporate headquarters has expired. We continue to occupy the facility on a month-to-month basis under the terms of the prior written lease agreement. It is our intention to enter into a written, long-term lease for our corporate headquarters. We also lease 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, 2025 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.

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, 2025.

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, 2025. No material changes related to our market risks have occurred since December 31, 2025.

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 September 30, 2026. 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 September 30, 2026 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, 2025, 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, 2025.

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 arrangement or a non-Rule 10b5-1 trading arrangement (as each term is defined in Item 408(c) of Regulation S-K) during the third quarter of 2026.

Item 6. Exhibits

Exhibit Number		Description
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).
31.1	*	Certification of the Company's 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 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).

* 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 September 30, 2026 and December 31, 2025, (ii) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2026 and 2025, (iii) Condensed Consolidated Statements of Other Comprehensive Income for the three and nine months ended September 30, 2026 and 2025, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2026 and 2025, (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2026 and 2025, 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:	October 28, 2026	By:	/s/ TIMOTHY J. MCGRATH Timothy J. McGrath Chief Executive Officer (Duly Authorized Officer)
Date:	October 28, 2026	By:	/s/ THOMAS C. BAKER Thomas C. Baker Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

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: October 28, 2026

/s/ TIMOTHY J. MCGRATH

Timothy J. McGrath
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: October 28, 2026

/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 September 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Timothy J. McGrath, 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: October 28, 2026

/s/ TIMOTHY J. MCGRATH
Timothy J. McGrath
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 September 30, 2026 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: October 28, 2026

/s/ THOMAS C. BAKER

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