
FORM 8-K

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

Date of Report (Date of earliest event reported): April 22, 2004

PC Connection, Inc.

(Exact name of registrant as specified in charter)

Delaware

0-23827

02-0513618

(State or other juris-
diction of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

Rt. 101A, 730 Milford Road
Merrimack, NH

03054

(Address of principal executive offices)

(Zip Code)

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

N/A

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

Item 9. Regulation FD Disclosure (Information furnished pursuant to Item 12,
"Disclosure of Results of Operations and Financial Condition").

On April 22, 2004, PC Connection, Inc. announced its financial results for the quarter ended March 31, 2004. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

In accordance with the procedural guidance in SEC Release No. 33-8216, the information in this Form 8-K and the Exhibit attached hereto is being furnished under "Item 9. Regulation FD Disclosure" rather than under "Item 12. Disclosure of Results of Operations and Financial Condition." The information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 22, 2004

PC CONNECTION, INC.

By: /s/ MARK A. GAVIN

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

EXHIBIT INDEX

Exhibit No.

99.1

Description

Press release dated April 22, 2004

PC Connection, Inc. Reports First Quarter Results

MERRIMACK, N.H.--(BUSINESS WIRE)--April 22, 2004--PC Connection, Inc. (NASDAQ: PCCC)

FIRST QUARTER HIGHLIGHTS:

- 15.6% increase in consolidated year-over-year sales
- Growth in both commercial and public sector sales
- Highest organic sales growth rate since 2000

PC Connection, Inc. (NASDAQ: PCCC), a leading direct marketer of information technology products and solutions, today announced results for the quarter ended March 31, 2004. Net sales for the three months ended March 31, 2004 increased by \$44.1 million, or 15.6%, to \$327.6 million from \$283.5 million for the three months ended March 31, 2003. Net income for the quarter ended March 31, 2004, on a generally accepted accounting principles (GAAP) basis, was \$1.2 million, or \$.05 per share, compared to \$1.6 million, or \$.06 per share for the three months ended March 31, 2003.

The three-month period ended March 31, 2004 included special charges that reduced earnings and earnings per share. Had these charges not been incurred, pro forma net income for the quarter ended March 31, 2004 would have been \$1.8 million, or \$.07 per share. A reconciliation between net income on a GAAP basis and pro forma net income is provided in a table immediately following the Consolidated Income Statements.

Net sales for the small- and medium-sized business (SMB) segment increased by 16.1% from the first quarter of 2003 to \$207 million and increased sequentially by 3.9% over the immediately preceding quarter. Sales productivity for the SMB segment improved by 2.7% over the first quarter of 2003 to \$2.2 million per sales representative and also improved sequentially this quarter by 5.2% over the immediately preceding quarter. Sales to government and education customers (the Company's Public Sector segment) grew for the quarter by 2.3% over the first quarter of 2003 to \$54 million, but were down sequentially by 39.7% from the immediately preceding quarter. Sales to large account customers increased by 27.0% over the first quarter of 2003 to \$66 million, but were down sequentially in the quarter by 4.4% over the immediately preceding quarter.

Patricia Gallup, Chairman and Chief Executive Officer, said, "I am pleased with the progress we made during the first quarter in improving our overall financial performance. Sales and pro forma earnings, or earnings before special charges, grew in the first quarter of 2004 by 15.6% and 16.6% respectively over the first quarter of 2003. Although gross margins were lower this quarter, we commenced several new gross margin initiatives that produced positive momentum as the first quarter came to a close. In the first quarter of 2004, our selling, general, and administrative (SG&A) expenses as a percentage of sales were reduced by 1.1% to 9.4%, compared to the first quarter of 2003. In addition, our GovConnection subsidiary submitted a proposal in the first quarter for a new General Services Administration (GSA) schedule, and the GSA review of our application is now in progress."

Consolidated annualized productivity increased in the first quarter of 2004 by 4.6% compared to the first quarter of 2003. The total number of sales representatives as of March 31, 2004 increased by 10.5% to 558 from 505 as of March 31, 2003. In addition, the number of active customers, or customers who have purchased from the Company within the last twelve months, increased 3.9% over the first quarter of 2003.

Notebooks and PDAs continued to be the Company's largest product category, accounting for 21.0% of net sales in the first quarter of 2004 compared to 19.1% for the corresponding period a year ago. Desktop computers and servers accounted for 14.1% of net sales in the first quarter of 2004 compared to 14.8% of net sales for the corresponding period a year ago. The average sales price for computer systems decreased 3.7% in the first quarter compared to the corresponding period a year ago, and decreased 3.8% compared to the fourth quarter of 2003.

Gross profit margin, as a percentage of net sales, was 10.4% in the first quarter of 2004 compared to 11.5% in the first quarter of 2003, and compared to 10.1% in the fourth quarter of 2003. As previously stated, the Company expects that its gross profit margin as a percentage of net sales may vary by quarter based upon vendor support programs, product mix, pricing strategies, market conditions, and other factors.

Total selling, general, and administrative expenses, as a percentage of sales, decreased to 9.4% in the first quarter of 2004 compared to 10.5% in the corresponding period a year ago. The Company expects that its SG&A, as a percentage of net sales, may vary by quarter depending on changes in sales volume, as well as the levels of continuing investments in key growth initiatives.

Ms. Gallup concluded, "Our results for the first quarter of 2004 are encouraging. Overall organic sales growth was at the highest level since 2000. Our initiatives to increase productivity, increase gross margins, and lower SG&A expenses should continue to positively influence our overall financial performance. We believe PC Connection is in a strong position to gain market share and enhance long-term shareholder value."

PC Connection, Inc., a Fortune 1000 company, operates three sales subsidiaries, PC Connection Sales Corporation of Merrimack, NH, GovConnection, Inc. of Rockville, MD, and MoreDirect, Inc. of Boca Raton, FL. PC Connection Sales Corporation (1-800-800-5555) is a rapid-response provider of information technology (IT) products and solutions offering more than 100,000 brand-name products to businesses through its staff of technically trained sales account managers and catalog telesales representatives, catalogs and publications, and its web site at www.pcconnection.com. The subsidiary serves the Apple/Macintosh community through its MacConnection division (1-800-800-2222), which also publishes specialized catalogs and is online at www.macconnection.com. GovConnection, Inc. (1-800-800-0019) is a rapid-response provider of IT products and solutions to federal, state, and local government agencies and educational institutions through specialized account managers, catalogs and publications, and online at www.govconnection.com. MoreDirect, Inc. (www.moredirect.com) provides corporate technology buyers with a comprehensive web-based e-procurement solution and in-depth IT supply-chain expertise, serving as a one-stop source by aggregating more than 300,000 products from the inventories of leading IT wholesale distributors and manufacturers. All three subsidiaries can deliver custom-configured computer systems overnight.

A live webcast of PC Connection management's discussion of the first quarter will be available on the Company's Web site at www.pcconnection.com and on www.streetevents.com. The webcast will begin today at 10:00 a.m. Eastern Time.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements that are subject to risks and uncertainties, including, but not limited to, the impact of changes in market demand and the overall level of economic activity, or in the level of business investment in information technology products, competitive products and pricing, product availability and market acceptance, new products, fluctuations in operating results and other risks detailed under the caption "Factors That May Affect Future Results and Financial Condition" in the Company's 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2003. More specifically, the statements in this release concerning the Company's outlook for the remainder of 2004 and the statements concerning the Company's gross margin percentage and selling and administrative costs and other statements of a non-historical basis (including statements regarding implementing strategies for future growth, the ability of the Company to improve sales productivity and increase its active customers) are forward-looking statements that involve certain risks and uncertainties. Such risks and uncertainties include the ability to realize market demand for and competitive pricing pressures on the products and services marketed by the Company, the continued acceptance of the Company's distribution channel by vendors and customers, continuation of key vendor and customer relationships and support programs and the ability of the Company to hire and retain qualified sales representatives and other essential personnel.

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

At or for the Three Months

Ended March 31, 2004 2003

(Dollars and shares in thousands, except operating data, price/earnings ratio and per share data)

	% of Net Sales	% of Net Sales	%
			Change

Operating Data:

Net sales growth	15.6%	19.6%	
Diluted earnings per share change	(16.7)	166.7	

Gross profit margin	10.4	11.5
Operating margin	0.7	1.0
Return on equity(1)	3.0	4.2

Catalogs distributed	6,165,000	6,631,000	(7.0)%
Orders entered(2)	330,000	324,000	1.9
Average order size(2)	\$1,142	\$1,058	7.9

Inventory turns(1)	16	19	
Days sales outstanding	44	51	
Active customers	478,000	460,000	3.9

Product Mix:

Notebooks & PDAs	\$68,737	21.0%	\$ 54,258	19.1%	26.7%
Desktops/Servers	46,265	14.1	41,920	14.8	10.4
Storage Devices	26,503	8.1	27,935	9.9	(5.1)
Software	41,290	12.6	31,446	11.1	31.3
Net/Com Products	24,278	7.4	22,821	8.0	6.4
Printers & Printer Supplies	36,886	11.3	33,105	11.7	11.4
Video, Imaging & Sound	39,104	11.9	30,772	10.8	27.1
Memory & System Enhancements	16,867	5.2	16,410	5.8	2.8
Accessories/Other	27,705	8.4	24,860	8.8	11.4
	\$327,635	100.0%	\$283,527	100.0%	15.6%

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

\$ 84,063	25.7%	\$ 78,205	27.6%	7.5%
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Stock Performance Indicators:

Actual shares outstanding	25,008	24,660
Total book value per share	\$ 6.34	\$ 6.16
Tangible book value per share	\$ 4.42	\$ 4.64
Closing price	\$ 7.93	\$ 5.25
Market capitalization	\$198,313	\$129,465
Trailing price/ earnings ratio(3)	34	19

(1) Annualized

(2) Does not reflect cancellations or returns

(3) Earnings is based on the last four quarters

SELECTED SEGMENT INFORMATION

For the Three Months Ended March 31,

	2004		2003	
	Net Sales	Gross Margin (%)	Net Sales	Gross Margin (%)
(Dollars in thousands)				
PC Connection Sales Corporation (SMB)	\$207,424	10.9%	\$178,640	11.8%
GovConnection (Public Sector)	53,852	8.7	52,632	9.5
MoreDirect (Large Account)	66,359	9.9	52,255	12.3
Total	\$327,635	10.4%	\$283,527	11.5%

CONSOLIDATED INCOME STATEMENTS

Three Months Ended March 31,
(Amounts in thousands, except
per share data)

	2004		2003	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$327,635	100.00%	\$283,527	100.00%
Cost of sales	293,710	89.65	251,052	88.55
Gross Profit	33,925	10.35	32,475	11.45
Selling, general and administrative expenses	30,690	9.37	29,639	10.45
Restructuring costs and other special charges	1,030	.31	-	-
Income From Operations	2,205	.67	2,836	1.00
Interest expense	(384)	(.11)	(303)	(.11)
Other, net	47	.01	44	.02
Income tax provision	(710)	(.22)	(1,002)	(.35)
Net Income	\$ 1,158	.35%	\$ 1,575	.56%

Weighted average common shares
outstanding:

Basic	24,998	24,651
Diluted	25,356	24,920

Earnings per common share:		
Basic	\$.05	\$.06
Diluted	\$.05	\$.06

A RECONCILIATION BETWEEN GAAP AND PRO FORMA NET INCOME

This information is being provided so as to allow for a comparison of our operating results without workforce reduction and other special charges.

	Three Months Ended
(Amounts in thousands)	March 31, 2004
GAAP net income	\$ 1,158
Restructuring costs and other special charges (after tax):	
Workforce reduction	340
GSA review and other	299
	639
Pro forma net income	\$ 1,797

CONSOLIDATED BALANCE SHEETS	March 31,	December 31,
(Amounts in thousands)	2004	2003
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,398	\$ 2,977
Restricted cash (1)	-	5,000
Accounts receivable, net	127,039	144,337
Inventories - merchandise	69,468	80,140
Deferred income taxes	1,730	1,732
Income taxes receivable	1,421	2,190
Prepaid expenses and other current assets	4,501	3,649
Total current assets	208,557	240,025
Property and equipment, net	19,260	20,396
Goodwill, net	44,766	45,264
Other intangibles, net	3,305	3,393
Other assets	199	208
Total assets	\$276,087	\$309,286

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Current maturities of capital lease obligation to affiliate	\$ 343	\$ 334
Note payable - bank	-	5,614
Accounts payable	92,553	112,538
Accrued expenses and other liabilities	15,187	13,063
Acquisition earn-out obligation	800	11,593
Total current liabilities	108,883	143,142
Capital lease obligation to affiliate, less current maturities	5,999	6,088
Deferred income taxes	2,718	2,867
Total liabilities	117,600	152,097
Stockholders' Equity:		
Common stock	254	253
Additional paid-in capital	76,567	76,428
Retained earnings	83,952	82,794
Treasury stock at cost	(2,286)	(2,286)
Total stockholders' equity	158,487	157,189
Total liabilities and stockholders' equity	\$276,087	\$309,286

(1) Cash escrow established for the MoreDirect, Inc. acquisition

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Three months ended March 31, 2004 (Amounts in thousands)

	Common	Additional	Retained
	Stock	Paid-In	Earnings
	Shares	Capital	
Balance - December 31, 2003	25,342	\$ 253	\$76,428
Exercise of stock options, including income tax benefits	28	1	139

Net income	-	-	-	1,158
Balance - March 31, 2004	25,370	\$ 254	\$76,567	\$83,952
	Treasury Shares			
	Shares	Amount	Total	
Balance - December 31, 2003	(362)	\$(2,286)	\$157,189	
Exercise of stock options, including income tax benefits	-	-	140	
Net income	-	-	1,158	
Balance - March 31, 2004	(362)	\$(2,286)	\$158,487	

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, (Amounts in thousands)	2004	2003
Cash Flows from Operating Activities:		
Net income	\$ 1,158	\$ 1,575
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,753	2,230
Deferred income taxes	(147)	(1,061)
Provision for doubtful accounts	775	800
Changes in assets and liabilities:		
Accounts receivable	16,523	12,961
Inventories	10,672	(4,301)
Prepaid expenses and other current assets	(83)	(792)
Other non-current assets	9	44
Accounts payable	(19,985)	(2,919)
Income tax benefits from exercise of stock options	84	49
Accrued expenses and other liabilities	2,124	2,470
Net cash provided by operating activities	12,883	11,056
Cash Flows from Investing Activities:		
Purchases of property and equipment	(529)	(764)
Payment of acquisition earn-out obligation	(10,295)	(10,800)
Cash escrow distributed for acquisition	5,000	5,000
Net cash used for investing activities	(5,824)	(6,564)
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	88,311	43,595
Repayment of short-term borrowings	(93,925)	(43,595)
Repayment of capital lease obligation to affiliate	(80)	(46)
Exercise of stock options	56	28
Net cash used for financing activities	(5,638)	(18)
Increase in cash and cash equivalents	1,421	4,474
Cash and cash equivalents, beginning of period	2,977	1,797
Cash and cash equivalents, end of period	\$ 4,398	\$ 6,271

CONTACT: PC Connection, Inc.
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