

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

FORM 8-K

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

Date of Report (Date of earliest event reported): April 28, 2016

PC Connection, Inc.

(Exact name of registrant as specified in charter)

Delaware  
(State or other jurisdiction of incorporation)

0-23827  
(Commission File Number)

02-0513618  
(IRS Employer Identification No.)

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

03054  
(Zip Code)

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

N/A

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

On April 28, 2016, PC Connection, Inc. announced its financial results for the quarter ended March 31, 2016. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Form 8-K (including Exhibit 99.1) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits**

## (d) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

99.1 Press Release issued by PC Connection, Inc. on April 28, 2016.

---

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 28, 2016

PC CONNECTION, INC.

By: /s/ Joseph Driscoll  
Joseph Driscoll  
Senior Vice President, Treasurer and  
Chief Financial Officer

---

EXHIBIT INDEX

Exhibit No.

Description

99.1

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

## PC Connection, Inc. Reports First Quarter 2016 Results

### FIRST QUARTER SUMMARY:

- **Net income up 6% y/y**
- **Gross profit up 6% y/y**
- **Diluted EPS: \$0.34, up 6.3% y/y**
- **Cash balance increased to \$91.0 million**

MERRIMACK, N.H.--(BUSINESS WIRE)--April 28, 2016--PC Connection, Inc. (NASDAQ: PCCC), a national provider of a full range of information technology (IT) solutions to business, government, healthcare, and education markets, today announced results for the quarter ended March 31, 2016. Net sales for the first quarter of 2016 decreased by 1.5% to \$572.4 million, compared to \$581.3 million for the prior year quarter. Gross profit increased by 6% from \$77.6 million to \$82.2 million due to an increase in gross margin from 13.3% to a record 14.4% in the first quarter of 2016. Net income for the quarter ended March 31, 2016 increased by 5.6% to \$9.1 million, or \$0.34 per diluted share, compared to net income of \$8.6 million, or \$0.32 per diluted share for the prior year quarter.

Earnings before interest, taxes, depreciation and amortization, adjusted for stock-based compensation expense ("Adjusted EBITDA") totaled \$89.8 million for the twelve months ended March 31, 2016, compared to \$83.1 million for the twelve months ended March 31, 2015.

#### *Quarterly Performance by Segment:*

- Net sales for the SMB segment increased by 4.6% to \$261.2 million in the first quarter of 2016, compared to the prior year quarter. Gross margin increased by 41 basis points to 15.9% due to strong performance in advanced technology solution categories, which resulted in a 7.3% increase in gross profit.
- Net sales for the Large Account segment decreased by 4.5% to \$200.1 million in the first quarter of 2016, compared to the prior year quarter. Gross margin increased by 115 basis points due to an improved product mix, and a significant increase in smaller orders, which generally carry higher margins. Therefore, gross profit increased by 4.7%.
- Net sales to the Public Sector segment decreased by 8.9% to \$111.0 million in the first quarter of 2016, compared to the prior year quarter. Gross margin improved by 161 basis points due to increased software and accessory sales; this resulted in a 4.2% increase in gross profit.

#### *Quarterly Sales by Product Mix:*

- Notebook/mobility sales, the Company's largest product category, increased by 8% year over year and accounted for 24% of net sales in the first quarter of 2016 compared to 22% of net sales in the prior year quarter. Mobility continues to be a strategic focus area for customers in each of our three segments.
  - Software sales increased by 4% year over year and accounted for 17% of net sales in the first quarter of 2016 compared to 16% of net sales in the prior year quarter. We experienced growth in cloud-based offerings, security, and virtualization.
-

Overall gross profit increased by \$4.6 million, or 5.9%, in the first quarter of 2016, compared to the prior year quarter. Consolidated gross margin, as a percentage of net sales, increased to 14.4% in the first quarter of 2016, compared to 13.3% for the prior year quarter.

Selling, general and administrative dollars increased in the first quarter of 2016 to \$67.0 million from \$63.4 million in the prior year quarter, with variable cost increasing due to higher levels of gross profit. We continue to invest in technical solution sales capabilities and expect SG&A expenses to rise accordingly. However, we are highly focused on improving efficiencies and streamlining wherever possible.

The Company generated significant cash flow during the quarter ended March 31, 2016. Total cash was \$91.0 million at March 31, 2016, compared to \$80.2 million at December 31, 2015. During the quarter we paid a \$10.6 million special dividend to shareholders. Days sales outstanding were 41 days at March 31, 2016, and inventory turns were 19 turns in the first quarter of 2016.

“The Company had solid performance in both gross profit and net income this quarter. We were able to increase earnings, while continuing to make investments to strengthen our capabilities as a leading National Solutions Provider,” said Timothy McGrath, President and Chief Executive Officer. “We believe our team and the strategies we have in place position us well to gain market share and increase long-term shareholder value.”

**Non-GAAP Financial Information**

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

---

**About PC Connection, Inc.**

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

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

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

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

pccc-g

###

“Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements that are subject to risks and uncertainties, including, but not limited to, the impact of changes in market demand and the overall level of economic activity and environment, or in the level of business investment in information technology products, competitive products and pricing, product availability and market acceptance, new products, fluctuations in operating results, and the ability of the Company to manage costs in response to fluctuations in revenue, and other risks that could cause actual results to differ materially from expectations, including those detailed under the caption “Risk Factors” in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2015. More specifically, the statements in this release concerning the Company’s outlook for selling, general, and administrative expenses, the Company’s efforts in improving efficiencies and streamlining its business and other statements of a non-historical basis (including statements regarding the Company’s ability to increase market share and enhance long-term shareholder value and the Company’s continuing investments in technical solution sales capabilities) are forward-looking statements that involve certain risks and uncertainties. Such risks and uncertainties include the ability to realize market demand for and competitive pricing pressures on the products and services marketed by the Company, the continued acceptance of the Company’s distribution channel by vendors and customers, continuation of key vendor and customer relationships and support programs, the ability of the Company to gain or maintain market share, and the ability of the Company to hire and retain qualified sales representatives and other essential personnel. The Company disclaims any obligation to update the information in this press release or revise any forward-looking statements, whether as a result of any new information, future events, or otherwise.

---

**CONSOLIDATED SELECTED FINANCIAL INFORMATION**

At or for the Three Months Ended March 31,

	2016	2015	%
			<b>Change</b>
<i>(Amounts and shares in thousands, except operating data, P/E ratio, and per share data)</i>			
<b>Operating Data:</b>			
Net sales	\$572,394	\$581,259	(2%)
Diluted earnings per share	\$ 0.34	\$ 0.32	6%
Gross margin	14.4%	13.3%	
Operating margin	2.7%	2.4%	
Return on equity <sup>(1)</sup>	12.3%	12.6%	
Inventory turns	19	25	
Days sales outstanding	41	41	
<b>Product Mix:</b>			
	<b>% of</b>	<b>% of</b>	
	<b>Net Sales</b>	<b>Net Sales</b>	
Notebooks/Mobility	24%	22%	
Software	17	16	
Servers/Storage	11	15	
Net/Com Products	8	9	
Other Hardware/Services	40	38	
<b>Total Net Sales</b>	<b>100%</b>	<b>100%</b>	
<b>Stock Performance Indicators:</b>			
Actual shares outstanding	26,501	26,351	
Total book value per share	\$ 15.16	\$ 13.77	
Tangible book value per share	\$ 13.17	\$ 11.76	
Closing price	\$ 25.81	\$ 26.09	
Market capitalization	\$683,991	\$687,498	
Trailing price/earnings ratio	14.5	15.7	
LTM Adjusted EBITDA <sup>(2)</sup>	\$ 89,769	\$ 83,101	
Adjusted market capitalization/LTM Adjusted EBITDA <sup>(3)</sup>	6.6	7.3	

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

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

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

**REVENUE AND MARGIN INFORMATION**

For the Three Months Ended March 31,

	2016		2015	
	Net	Gross	Net	Gross
	Sales	Margin	Sales	Margin
<i>(amounts in thousands)</i>				
SMB	\$261,246	15.9%	\$249,874	15.5%
Large Account	200,109	13.1	209,459	12.0
Public Sector	111,039	12.8	121,926	11.2
Total	<u>\$572,394</u>	14.4%	<u>\$581,259</u>	13.3%



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

	2016		2015	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 572,394	100.0%	\$ 581,259	100.0%
Cost of sales	490,201	85.6	503,646	86.7
<b>Gross profit</b>	<b>82,193</b>	<b>14.4</b>	<b>77,613</b>	<b>13.3</b>
Selling, general and administrative expenses, other	67,029	11.7	63,434	10.9
<b>Income from operations</b>	<b>15,164</b>	<b>2.7</b>	<b>14,179</b>	<b>2.4</b>
Interest/other expense, net	(14)	—	1	—
Income tax provision	(6,087)	(1.1)	(5,596)	(0.9)
<b>Net income</b>	<b>\$ 9,063</b>	<b>1.6%</b>	<b>\$ 8,584</b>	<b>1.5%</b>
Earnings per common share:				
Basic	\$ 0.34		\$ 0.33	
Diluted	\$ 0.34		\$ 0.32	
Shares used in the computation of earnings per common share:				
Basic	26,499		26,346	
Diluted	26,671		26,593	

**EBITDA AND ADJUSTED EBITDA**

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

*(amounts in thousands)*

	Three Months Ended March 31,			LTM Ended March 31, <sup>(1)</sup>		
	2016	2015	% Change	2016	2015	% Change
<b>Net income</b>	\$ 9,063	\$ 8,584		\$ 47,306	\$ 44,134	
Depreciation and amortization	2,416	2,192		9,185	8,206	
Income tax expense	6,087	5,596		32,131	29,678	
Interest/other expense, net	14	(1)		102	75	
<b>EBITDA</b>	<b>17,580</b>	<b>16,371</b>		<b>88,724</b>	<b>82,093</b>	
Stock-based compensation	289	238		1,045	1,008	
<b>Adjusted EBITDA</b>	<b>\$ 17,869</b>	<b>\$ 16,609</b>	<b>8%</b>	<b>\$ 89,769</b>	<b>\$ 83,101</b>	<b>8%</b>

(1) LTM: Last twelve months

<b>CONDENSED CONSOLIDATED BALANCE SHEETS</b> <i>(amounts in thousands)</i>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 90,980	\$ 80,188
Accounts receivable, net	288,306	356,145
Inventories	97,349	102,780
Deferred income taxes	-	7,909
Prepaid expenses and other current assets	5,131	4,254
Income taxes receivable	2,626	1,575
<b>Total current assets</b>	<b>484,392</b>	<b>552,851</b>
Property and equipment, net	32,113	32,227
Goodwill	51,276	51,276
Other intangibles, net	1,518	1,668
Other assets	1,180	1,052
<b>Total Assets</b>	<b>\$ 570,479</b>	<b>\$ 639,074</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 114,231	\$ 166,516
Accrued expenses and other liabilities	24,927	36,207
Accrued payroll	13,022	19,280
<b>Total current liabilities</b>	<b>152,180</b>	<b>222,003</b>
Deferred income taxes	13,740	21,615
Other liabilities	2,764	3,005
<b>Total Liabilities</b>	<b>168,684</b>	<b>246,623</b>
Stockholders' Equity:		
Common stock	284	284
Additional paid-in capital	109,442	109,161
Retained earnings	307,931	298,868
Treasury stock at cost	(15,862)	(15,862)
<b>Total Stockholders' Equity</b>	<b>401,795</b>	<b>392,451</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 570,479</b>	<b>\$ 639,074</b>

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****Three Months Ended March 31,***(amounts in thousands)*

	<b>2016</b>	<b>2015</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 9,063	\$ 8,584
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,416	2,192
Stock-based compensation expense	289	238
Deferred income taxes	34	67
Excess tax benefit from exercise of equity awards	(32)	(59)
Provision for doubtful accounts	(103)	733
Changes in assets and liabilities:		
Accounts receivable	67,942	7,443
Inventories	5,431	19,643
Prepaid expenses and other current assets	(1,928)	(2,957)
Other non-current assets	(128)	51
Accounts payable	(52,359)	(8,627)
Accrued expenses and other liabilities	(7,156)	(6,093)
Net cash provided by operating activities	<u>23,469</u>	<u>21,215</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of equipment	<u>(2,078)</u>	<u>(2,278)</u>
Net cash used for investing activities	<u>(2,078)</u>	<u>(2,278)</u>
<b>Cash Flows from Financing Activities:</b>		
Dividend payment	(10,591)	-
Excess tax benefit from exercise of equity awards	32	59
Exercise of stock options	-	20
Payment of payroll taxes on stock-based compensation through shares withheld	(40)	(43)
Net cash (used for) provided by financing activities	<u>(10,599)</u>	<u>36</u>
Increase in cash and cash equivalents	10,792	18,973
Cash and cash equivalents, beginning of period	80,188	60,909
Cash and cash equivalents, end of period	<u>\$ 90,980</u>	<u>\$ 79,882</u>
<b>Non-cash Investing Activities:</b>		
Accrued capital expenditures	\$ 578	\$ 149
<b>Supplemental Cash Flow Information:</b>		
Income taxes paid	\$ 7,638	\$ 8,818

pccc-g

**CONTACT:**

PC Connection, Inc.

Joseph Driscoll, 603-683-2505

Senior Vice President, Treasurer and Chief Financial Officer