

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): October 25, 2007

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) 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 October 25, 2007, PC Connection, Inc. announced its financial results for the quarter ended September 30, 2007. 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 October 25, 2007.

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: October 25, 2007

PC CONNECTION, INC.

By: /s/ Jack Ferguson

Jack Ferguson
Executive Vice President, Treasurer, and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.

Description

99.1

Press release issued by PC Connection, Inc. on
October 25, 2007.

PC Connection, Inc. Reports Third
Quarter Results

Company Announces Record Revenue, Improved Gross Margin, and
Growth in Earnings

THIRD QUARTER HIGHLIGHTS:

- Record net sales: \$456.5 million, up 10% year over year
- Gross margin: 12.6%, up from 12.3% last year
- Net income: \$7.7 million, up 75% year over year
- Diluted earnings per share: \$.28, up from \$.17 last year

MERRIMACK, N.H.--(BUSINESS WIRE)--Oct. 25, 2007--PC Connection, Inc. (NASDAQ: PCCC), a leading direct marketer of information technology (IT) products and services, today announced results for the quarter ended September 30, 2007. Net sales for the three months ended September 30, 2007 increased by \$41.3 million, or 9.9%, to \$456.5 million from \$415.2 million for the three months ended September 30, 2006. Net income for the quarter was \$7.7 million, or \$.28 per share, compared to \$4.4 million, or \$.17 per share, for the corresponding prior year quarter.

"We are pleased with our record-setting Q3 performance," said Patricia Gallup, Chairman and Chief Executive Officer. "We achieved the largest revenue quarter in the Company's 25-year history, and at the same time, we experienced a 76% increase in operating income and a 65% increase in earnings per share over the third quarter of 2006."

Net sales for the nine months ended September 30, 2007 increased by \$92.0 million, or 7.6%, to \$1,295.8 million from \$1,203.8 million for the nine months ended September 30, 2006. Net income for the nine months ended September 30, 2007 was \$16.8 million, or \$.62 per share, compared to \$9.2 million, or \$.36 per share, for the nine months ended September 30, 2006.

Quarterly Sales Growth by Business Segment:

- Net sales for the SMB segment increased by 6.1% to \$234.9 million compared to the third quarter of 2006. Although sales to consumers declined, corporate outbound sales within the segment grew 15.7% year over year, reflecting our focus on business customers.
- Net sales for MoreDirect, Inc., our Large Account segment, increased by 14.4% to \$130.0 million compared to the third quarter of 2006. This segment continues to obtain new customers and a greater share of existing customers' business.
- Net sales for GovConnection, Inc., our Public Sector segment, increased by 14.2% to \$91.6 million compared to the third quarter of 2006. Double digit growth was generated with federal, state, and local government and education customers.

Quarterly Sales Growth By Product Mix:

- Desktop computer and server sales increased 16.3% year over year, accounting for 14.4% of net sales in the third quarter of 2007 compared to 13.6% for the corresponding prior year quarter.
- Sales of storage devices increased 19.5% year over year, accounting for 9.0% of net sales in the third quarter of 2007 compared to 8.3% for the corresponding prior year quarter.
- Notebooks and PDAs, our largest product sales category, accounted for 15.7% of net sales in the third quarter of 2007 compared to 17.4% for the corresponding prior year quarter.
- Software sales represented 12.8% of net sales in the third quarter of 2007 compared to 12.4% for the corresponding prior year quarter.

Gross profit was \$57.5 million for the third quarter of 2007 compared to \$51.1 million for the third quarter of 2006. Gross profit

margin, as a percentage of net sales, was 12.6% in the third quarter of 2007 compared to 12.3% in the third quarter of 2006. As noted in our first quarter 2007 earnings release, we recorded substantially all vendor consideration in 2007 as a reduction to cost of inventory purchases, pursuant to Issue No. 02-16 of the Emerging Issues Task Force. Accordingly, this additional consideration accounted for a 22 basis-point increase in gross margin compared to the third quarter of 2006. Larger agency fee revenues in the third quarter of 2007 were largely offset by lower back-end vendor rebates.

Overall annualized sales productivity increased 17% in the third quarter of 2007 compared to the third quarter of 2006. Sales productivity in our Large Account segment increased 28% in the third quarter of 2007 compared to the third quarter of 2006. For our SMB and Public Sector segments, productivity increased 15% and 9%, respectively. On a consolidated basis, the total number of sales representatives, after the inclusion of inside sales representatives, was 654 as of September 30, 2007, compared to 713 sales representatives at September 30, 2006. We estimate sales representative headcount at December 31, 2007 to grow to approximately 685.

Selling, general and administrative expenses ("SG&A") totaled \$45.6 million for the third quarter of 2007 compared to \$43.3 million for the third quarter of 2006. SG&A improved as a percentage of net sales to 10.0% for the third quarter of 2007 compared to 10.4% for the third quarter of 2006, reflecting our continuing effort to leverage our cost structure.

Gallup concluded, "PC Connection remains committed to making the investments necessary to continue to grow our business and improve operating performance. We believe we have the strategies and talent in place to position us well for future success and enhance long-term shareholder value."

About PC Connection, Inc.

PC Connection, Inc., a Fortune 1000 company, owns three sales companies: 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. Investors and media can find more information about PC Connection, Inc. at <http://ir.pcconnection.com>.

PC Connection Sales Corporation (1-800-800-5555), the original business of PC Connection, Inc. serving the small- and medium-sized business sector (SMB), is a rapid-response provider of information technology (IT) products and services. It offers more than 150,000 brand-name products through its staff of technically trained sales account managers and catalog telesales representatives, catalogs, and publications, and its website 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.

MoreDirect, Inc. (561-237-3300), 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. MoreDirect's TRAXX(R) system is a seamless end-to-end interface that empowers clients to electronically source, evaluate, compare prices, and track related technology product purchases in real-time.

GovConnection, Inc. (1-800-800-0019) is a provider of IT products and services to federal, state, and local government agencies and educational institutions through specialized account managers, catalogs, and publications, and online at www.govconnection.com.

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"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements that are subject to risks and uncertainties, including, but not limited to, the impact of changes in market demand and the overall level of economic activity, 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 hire and

retain essential personnel, and other risks detailed under the caption "Risk Factors" in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission for the quarter ended June 30, 2007. More specifically, the statements in this release concerning the Company's outlook for 2007 and the statements concerning the Company's gross margin percentage, productivity, and selling and administrative costs and other statements of a non-historical basis 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. The Company assumes no 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 HIGHLIGHTS

At or for the Three Months
Ended September 30,

2007

2006

(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	\$ 456,470		\$ 415,213		9.9%
Diluted earnings per share	\$.28		\$.17		64.7%
Gross profit margin	12.6%		12.3%		
Operating margin	2.6		1.6		
Return on equity (1)	14.5		9.8		
Catalogs distributed	3,199,000		3,641,000		(12.1)%
Orders entered (2)	363,700		381,700		(4.7)%
Average order size (2)	\$ 1,543		\$ 1,295		19.2%
Inventory turns (1)	22		22		
Days sales outstanding	45		43		

Product Mix:

Notebooks & PDAs	\$ 71,730	15.7%	\$ 72,123	17.4%	(0.5)%
Desktops/Servers	65,776	14.4	56,545	13.6	16.3
Storage Devices	41,233	9.0	34,508	8.3	19.5
Software	58,104	12.8	51,692	12.4	12.4
Net/Com Products	37,924	8.3	34,610	8.3	9.6
Printers & Printer Supplies	43,449	9.5	43,535	10.5	(0.2)
Video, Imaging & Sound	65,236	14.3	57,250	13.8	13.9
Memory & System Enhancements	20,460	4.5	19,028	4.6	7.5
Accessories/Other	52,558	11.5	45,922	11.1	14.5
	\$ 456,470	100.0%	\$ 415,213	100.0%	9.9%
	=====	=====	=====	=====	=====

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

	\$ 146,913	32.2%	\$ 125,766	30.3%	16.8%
	=====	=====	=====	=====	=====

Stock Performance

Indicators:

Actual shares outstanding	26,815		25,695		
Total book value per share	\$ 8.10		\$ 7.16		
Tangible book value per					

share	\$	5.84	\$	4.77
Closing price	\$	12.50	\$	11.55
Market capitalization	\$	335,188	\$	296,777
Trailing price/earnings ratio (3)		16		32

- (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 September 30,	2007		2006	
(Dollars in thousands)	Net Sales	Gross Margin (%)	Net Sales	Gross Margin (%)
PC Connection Sales Corporation (SMB)	\$234,850	14.3%	\$221,330	13.3%
MoreDirect (Large Account)	130,027	11.5	113,690	11.4
GovConnection (Public Sector)	91,593	9.8	80,193	10.8
Total	\$456,470	12.6%	\$415,213	12.3%

CONSOLIDATED INCOME STATEMENTS

Three Months Ended September 30,	2007		2006	
(Amounts in thousands, except per share data)	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$456,470	100.0%	\$415,213	100.0%
Cost of sales	398,940	87.4	364,070	87.7
Gross Profit	57,530	12.6	51,143	12.3
Selling, general and administrative expenses	45,572	10.0	43,291	10.4
Special charges	-	-	1,050	0.3
Income From Operations	11,958	2.6	6,802	1.6
Interest expense	(218)	(0.1)	(394)	(0.1)
Other, net	192	0.1	38	-
Income tax provision	(4,247)	(0.9)	(2,058)	(0.4)
Net Income	\$ 7,685	1.7%	\$ 4,388	1.1%

Weighted average common shares outstanding:

Basic	26,814	25,446
Diluted	27,017	25,667
Earnings per common share:		
Basic	\$ 0.29	\$ 0.17
Diluted	\$ 0.28	\$ 0.17

CONSOLIDATED INCOME STATEMENTS

Nine Months Ended September 30,	2007		2006	
	% of		% of	

(Amounts in thousands, except per share data)	Amount	Net Sales	Amount	Net Sales
Net sales	\$1,295,772	100.0%	\$1,203,785	100.0%
Cost of sales	1,134,287	87.5	1,055,481	87.7
Gross Profit	161,485	12.5	148,304	12.3
Selling, general and administrative expenses	134,770	10.4	129,780	10.8
Special charges	-	-	2,391	0.2
Income From Operations	26,715	2.1	16,133	1.3
Interest expense	(668)	(0.1)	(1,475)	(0.1)
Other, net	653	0.1	34	-
Income tax provision	(9,877)	(0.8)	(5,487)	(0.4)
Net Income	\$ 16,823	1.3%	\$ 9,205	0.8%
Weighted average common shares outstanding:				
Basic	26,765		25,330	
Diluted	27,009		25,459	
Earnings per common share:				
Basic	\$ 0.63		\$ 0.36	
Diluted	\$ 0.62		\$ 0.36	

CONSOLIDATED BALANCE SHEETS

(amounts in thousands)	September 30, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 23,685	\$ 17,582
Accounts receivable, net	187,020	170,222
Inventories-merchandise	75,537	69,407
Deferred income taxes	4,403	3,837
Income taxes receivable	675	627
Prepaid expenses and other current assets	3,578	3,882
Total current assets	294,898	265,557
Property and equipment, net	20,319	19,542
Goodwill	56,867	56,867
Other intangibles, net	3,559	4,363
Other assets	264	355
Total Assets	\$375,907	\$346,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of capital lease obligations:		
To affiliate	\$ 504	\$ 464
To third party	73	395
Accounts payable	117,013	110,977
Accrued expenses and other liabilities	18,527	17,389
Accrued payroll	7,874	9,367
Total current liabilities	143,991	138,592
Capital lease obligations, less current maturities:		
To affiliate	4,453	4,836
Other liabilities	2,883	-
Deferred income taxes	7,430	6,352
Total Liabilities	158,757	149,780

Stockholders' Equity:		
Common stock	272	269
Additional paid-in capital	93,145	89,537
Retained earnings	125,798	109,321
Treasury stock at cost	(2,065)	(2,223)
Total Stockholders' Equity	217,150	196,904
Total Liabilities and Stockholders' Equity	\$375,907	\$346,684

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Nine months ended September 30, 2007 (amounts in thousands)

	Common Stock		Additional	Retained	Treasury Shares		
	Shares	Amount	Paid-In	Earnings	Shares	Amount	Total
			Capital				
Balance - January 01, 2007	26,862	\$269	\$89,537	\$109,321	(352)	(\$2,223)	\$196,904
Cumulative effect of change in accounting principle	-	-	-	(346)	-	-	(346)
Stock compensation expense	-	-	202	-	-	-	202
Exercise of stock options, including income tax benefits	305	3	3,430	-	-	-	3,433
Issuance of stock under Employee Stock Purchase Plan	10	-	134	-	-	-	134
Nonvested stock awards			(158)		25	158	-
Net income	-	-	-	16,823	-	-	16,823
Balance - September 30, 2007	27,177	\$272	\$93,145	\$125,798	(327)	(\$2,065)	\$217,150

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, (Amounts in thousands)

	2007	2006
Cash Flows from Operating Activities:		
Net income	\$ 16,823	\$ 9,205
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,158	5,227

Provision for doubtful accounts	1,482	2,094
Deferred income taxes	512	1,536
Loss on disposal of fixed assets	53	63
Stock compensation expense	202	277
Gross excess tax benefit from exercise of stock options	(359)	(1)
Income tax benefits from exercise of stock options	889	231
Changes in assets and liabilities:		
Accounts receivable	(18,280)	1,415
Inventories	(6,130)	6,945
Prepaid expenses and other current assets	256	1,142
Other non-current assets	91	36
Accounts payable	6,036	(14,723)
Accrued expenses and other liabilities	2,182	5,533
Net cash provided by operating activities	8,915	18,980
Cash Flows from Investing Activities:		
Purchases of property and equipment	(5,184)	(6,401)
Proceeds from sale of property and equipment	-	20
Net cash used for investing activities	(5,184)	(6,381)
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	3,313	317,280
Repayment of short-term borrowings	(3,313)	(330,159)
Repayment of capital lease obligations	(665)	(614)
Exercise of stock options	2,544	2,822
Gross excess tax benefit from exercise of stock options	359	1
Issuance of stock under Employee Stock Purchase Plan	134	120
Net cash provided by (used for) financing activities	2,372	(10,550)
Increase in cash and cash equivalents	6,103	2,049
Cash and cash equivalents, beginning of period	17,582	9,770
Cash and cash equivalents, end of period	\$ 23,685	\$ 11,819

CONTACT: PC Connection, Inc.
Stephen Baldrige, 603-683-2322
VP of Finance & Corporate Controller