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

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(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, 2025**

**OR**

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

**For the transition period from                      to**

**Commission file number: 0-23827**

**PC CONNECTION, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**02-0513618**

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

**730 Milford Road**

**Merrimack, New Hampshire**

(Address of principal executive offices)

**03054**

(Zip Code)

**(603) 683-2000**

(Registrant's telephone number, including area code)

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

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

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

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

Yes  No

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

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Yes  No

The number of shares outstanding of the issuer's common stock as of October 22, 2025 was 25,245,224.

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PC CONNECTION, INC. AND SUBSIDIARIES  
FORM 10-Q

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	<u>September 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 187,845	\$ 178,318
Short-term investments	211,354	264,295
Accounts receivable, net	616,704	611,433
Inventories, net	135,018	95,054
Prepaid expenses and other current assets	23,161	17,750
Total current assets	1,174,082	1,166,850
Property and equipment, net	48,064	52,520
Right-of-use assets	1,781	3,077
Goodwill	73,602	73,602
Intangibles, net	1,294	2,209
Other assets	6,697	1,096
Total Assets	<u>\$ 1,305,520</u>	<u>\$ 1,299,354</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 312,813	\$ 300,242
Accrued payroll	30,483	23,330
Accrued expenses and other liabilities	40,792	47,633
Total current liabilities	384,088	371,205
Deferred income taxes	18,253	15,091
Non-current operating lease liabilities	437	1,552
Other liabilities	—	516
Total Liabilities	402,778	388,364
Stockholders' Equity:		
Common stock	295	294
Additional paid-in capital	143,413	137,036
Retained earnings	888,957	837,466
Accumulated other comprehensive income	85	174
Treasury stock, at cost	(130,008)	(63,980)
Total Stockholders' Equity	902,742	910,990
Total Liabilities and Stockholders' Equity	<u>\$ 1,305,520</u>	<u>\$ 1,299,354</u>

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net sales	\$ 709,068	\$ 724,717	\$ 2,169,807	\$ 2,093,221
Cost of sales	570,423	589,311	1,766,085	1,703,201
Gross profit	138,645	135,406	403,722	390,020
Selling, general and administrative expenses	108,379	105,365	325,107	315,181
Severance expenses	—	—	2,930	415
Income from operations	30,266	30,041	75,685	74,424
Interest income, net	3,689	4,837	10,805	14,053
Other income	—	1,700	76	1,700
Income before taxes	33,955	36,578	86,566	90,177
Income tax provision	(9,215)	(9,519)	(23,556)	(23,803)
Net income	<u>\$ 24,740</u>	<u>\$ 27,059</u>	<u>\$ 63,010</u>	<u>\$ 66,374</u>
<b>Earnings per common share:</b>				
Basic	\$ 0.98	\$ 1.03	\$ 2.46	\$ 2.52
Diluted	<u>\$ 0.97</u>	<u>\$ 1.02</u>	<u>\$ 2.45</u>	<u>\$ 2.50</u>
<b>Shares used in computation of earnings per common share:</b>				
Basic	25,354	26,292	25,609	26,334
Diluted	<u>25,489</u>	<u>26,501</u>	<u>25,734</u>	<u>26,518</u>

See notes to unaudited condensed consolidated financial statements.

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

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Net income	\$ 24,740	\$ 27,059	\$ 63,010	\$ 66,374
Other comprehensive income (loss):				
Unrealized gains (losses) on available-for-sale investments, net of tax of \$(36) and \$24 for the three and nine months ended September 30, 2025, respectively, and net of tax of \$(154) and \$(105) for the three and nine months ended September 30, 2024, respectively	138	580	(89)	396
Comprehensive income	<u>\$ 24,878</u>	<u>\$ 27,639</u>	<u>\$ 62,921</u>	<u>\$ 66,770</u>

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30, 2025							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
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	<u>29,451</u>	<u>\$ 295</u>	<u>\$ 143,413</u>	<u>\$ 888,957</u>	<u>\$ 85</u>	<u>(4,125)</u>	<u>\$ (130,008)</u>	<u>\$ 902,742</u>

	Three Months Ended September 30, 2024							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance - June 30, 2024	29,294	\$ 293	\$ 134,967	\$ 794,942	\$ (103)	(2,962)	\$ (55,171)	\$ 874,928
Stock-based compensation expense	—	—	1,999	—	—	—	—	1,999
Restricted stock units vested	16	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(640)	—	—	—	—	(640)
Repurchase of common stock for treasury	—	—	—	—	—	(59)	(3,935)	(3,935)
Dividend declaration (\$0.10 per share)	—	—	—	(2,629)	—	—	—	(2,629)
Net income	—	—	—	27,059	—	—	—	27,059
Other comprehensive income, net of tax	—	—	—	—	580	—	—	580
Balance - September 30, 2024	<u>29,310</u>	<u>\$ 293</u>	<u>\$ 136,326</u>	<u>\$ 819,372</u>	<u>\$ 477</u>	<u>(3,021)</u>	<u>\$ (59,106)</u>	<u>\$ 897,362</u>

See notes to unaudited condensed consolidated financial statements.

Nine Months Ended September 30, 2025

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance - December 31, 2024	29,390	\$ 294	\$ 137,036	\$ 837,466	\$ 174	(3,090)	\$ (63,980)	\$ 910,990
Stock-based compensation expense	—	—	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	<u>29,451</u>	<u>\$ 295</u>	<u>\$ 143,413</u>	<u>\$ 888,957</u>	<u>\$ 85</u>	<u>(4,125)</u>	<u>\$ (130,008)</u>	<u>\$ 902,742</u>

Nine Months Ended September 30, 2024

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance - December 31, 2023	29,262	\$ 293	\$ 130,878	\$ 760,898	\$ 81	(2,902)	\$ (51,383)	\$ 840,767
Stock-based compensation expense	—	—	6,196	—	—	—	—	6,196
Restricted stock units vested	39	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(1,285)	—	—	—	—	(1,285)
Repurchase of common stock for treasury	—	—	—	—	—	(119)	(7,723)	(7,723)
Issuance of common stock under Employee Stock Purchase Plan	9	—	537	—	—	—	—	537
Dividend declaration (\$0.10 per share)	—	—	—	(7,900)	—	—	—	(7,900)
Net income	—	—	—	66,374	—	—	—	66,374
Other comprehensive income, net of tax	—	—	—	—	396	—	—	396
Balance - September 30, 2024	<u>29,310</u>	<u>\$ 293</u>	<u>\$ 136,326</u>	<u>\$ 819,372</u>	<u>\$ 477</u>	<u>(3,021)</u>	<u>\$ (59,106)</u>	<u>\$ 897,362</u>

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,	
	2025	2024
<b>Cash Flows provided by Operating Activities:</b>		
Net income	\$ 63,010	\$ 66,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,853	9,818
Adjustments to credit losses reserve	1,233	830
Stock-based compensation expense	7,102	6,196
Deferred income taxes	3,185	2,434
Amortization of discount on short-term investments, net	(1,612)	(4,402)
Gain on sale of short-term investments	(76)	—
Loss on disposal of fixed assets	30	49
Changes in assets and liabilities:		
Accounts receivable	(6,504)	20,928
Inventories	(39,964)	10,488
Prepaid expenses and other current assets	(4,854)	(3,405)
Other non-current assets	(3,803)	526
Accounts payable	11,905	29,141
Accrued expenses and other liabilities	(485)	9,643
Net cash provided by operating activities	<u>38,020</u>	<u>148,620</u>
<b>Cash Flows provided by (used in) Investing Activities:</b>		
Purchases of short-term investments	(155,574)	(255,075)
Proceeds from sale of short-term investments	108,763	—
Maturities of short-term investments	101,328	150,607
Purchases of property and equipment	(5,201)	(5,215)
Net cash provided by (used in) investing activities	<u>49,316</u>	<u>(109,683)</u>
<b>Cash Flows used in Financing Activities:</b>		
Proceeds from short-term borrowings	732	25,204
Repayment of short-term borrowings	(732)	(25,204)
Purchase of common stock for treasury shares	(65,530)	(7,732)
Payments for excise tax on treasury purchases	(36)	—
Dividend payments	(11,519)	(7,900)
Issuance of stock under Employee Stock Purchase Plan	619	537
Payment of payroll taxes on stock-based compensation through shares withheld	(1,343)	(1,285)
Net cash used in financing activities	<u>(77,809)</u>	<u>(16,380)</u>
Increase in cash and cash equivalents	9,527	22,557
Cash and cash equivalents, beginning of period	178,318	144,954
Cash and cash equivalents, end of period	<u>\$ 187,845</u>	<u>\$ 167,511</u>
<b>Non-cash Investing and Financing Activities:</b>		
Accrued purchases of property and equipment	\$ 866	\$ 425
Accrued purchase of treasury shares	\$ 123	\$ —
Accrued excise tax on treasury purchases	\$ 615	\$ 45
<b>Supplemental Cash Flow Information:</b>		
Income taxes paid	\$ 24,837	\$ 24,533
Interest paid	\$ —	\$ 5

See notes to unaudited condensed consolidated financial statements.

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

**Note 1—Basis of Presentation**

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

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

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

***Use of Estimates in the Preparation of Financial Statements***

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

***Cash and Cash Equivalents and Investments***

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

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

Included in interest income, net on the condensed consolidated statements of income is interest income on cash equivalents and short-term investments of \$3,689 and \$10,706 for the three and nine months ended September 30, 2025, respectively, and \$4,840 and \$14,060 for the three and nine months ended September 30, 2024, respectively.

### ***Treasury Stock, at Cost***

The total repurchases for the nine months ended September 30, 2025 and 2024 were recorded as treasury stock of \$66,028 and \$7,723, 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, 2025 and 2024 were related to involuntary reductions in the Company's workforce to lower the Company's cost structure and included cash severance and other related termination benefits. The majority of these costs are expected to be paid within a year of the applicable termination. Included in accrued expenses and other liabilities on the condensed consolidated balance sheets as of September 30, 2025 was \$1,001 related to unpaid severance expenses.

### ***Recently Issued Financial Accounting Standards***

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

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

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.

### **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.

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

	Three Months Ended September 30, 2025			Total
	Enterprise Solutions	Business Solutions	Public Sector Solutions	
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	<u>\$ 319,744</u>	<u>\$ 256,841</u>	<u>\$ 132,483</u>	<u>\$ 709,068</u>

	Three Months Ended September 30, 2024			Total
	Enterprise Solutions	Business Solutions	Public Sector Solutions	
Notebooks/Mobility	\$ 90,233	\$ 91,757	\$ 77,264	\$ 259,254
Desktops	44,846	17,543	15,193	77,582
Software	29,847	34,478	21,706	86,031
Servers/Storage	11,866	23,106	8,696	43,668
Net/Com Products	24,530	21,186	10,340	56,056
Displays and Sound	38,316	20,682	15,981	74,979
Accessories	35,962	27,020	16,978	79,960
Other Hardware/Services	21,370	16,859	8,958	47,187
Total Net sales	<u>\$ 296,970</u>	<u>\$ 252,631</u>	<u>\$ 175,116</u>	<u>\$ 724,717</u>

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

	Nine Months Ended September 30, 2025			Total
	Enterprise Solutions	Business Solutions	Public Sector Solutions	
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	<u>\$ 943,758</u>	<u>\$ 808,394</u>	<u>\$ 417,655</u>	<u>\$ 2,169,807</u>

	Nine Months Ended September 30, 2024			Total
	Enterprise Solutions	Business Solutions	Public Sector Solutions	
Notebooks/Mobility	\$ 270,266	\$ 281,754	\$ 185,962	\$ 737,982
Desktops	135,563	55,766	36,732	228,061
Software	78,595	102,905	36,827	218,327
Servers/Storage	39,924	78,773	30,842	149,539
Net/Com Products	63,599	62,876	30,257	156,732
Displays and Sound	106,845	62,415	43,329	212,589
Accessories	116,139	86,056	36,044	238,239
Other Hardware/Services	67,506	56,153	28,093	151,752
Total Net sales	<u>\$ 878,437</u>	<u>\$ 786,698</u>	<u>\$ 428,086</u>	<u>\$ 2,093,221</u>



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

### **Note 4—Earnings Per Share**

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

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Numerator:</b>				
Net income	\$ 24,740	\$ 27,059	\$ 63,010	\$ 66,374
<b>Denominator:</b>				
Denominator for basic earnings per share	\$ 25,354	\$ 26,292	\$ 25,609	\$ 26,334
Dilutive effect of employee stock awards	135	209	125	184
Denominator for diluted earnings per share	\$ 25,489	\$ 26,501	\$ 25,734	\$ 26,518
<b>Earnings per share:</b>				
Basic	\$ 0.98	\$ 1.03	\$ 2.46	\$ 2.52
Diluted	\$ 0.97	\$ 1.02	\$ 2.45	\$ 2.50

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

**Note 5—Leases**

The Company leases certain facilities from a related party, which is a company affiliated with it through common ownership. The costs for these leases are presented within short-term lease cost in the below table.

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

	<u>Three Months Ended September 30, 2025</u>			<u>Nine Months Ended September 30, 2025</u>		
	<u>Related Parties</u>	<u>Others</u>	<u>Total</u>	<u>Related Parties</u>	<u>Others</u>	<u>Total</u>
<b>Lease Cost</b>						
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	<u>\$ 420</u>	<u>\$ 609</u>	<u>\$ 1,029</u>	<u>\$ 1,260</u>	<u>\$ 1,827</u>	<u>\$ 3,087</u>
<b>Other Information</b>						
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				— %	4.33 %	4.33 %
	<u>Three Months Ended September 30, 2024</u>			<u>Nine Months Ended September 30, 2024</u>		
	<u>Related Parties</u>	<u>Others</u>	<u>Total</u>	<u>Related Parties</u>	<u>Others</u>	<u>Total</u>
<b>Lease Cost</b>						
Capitalized operating lease cost	\$ —	\$ 501	\$ 501	\$ —	\$ 1,445	\$ 1,445
Short-term lease cost	420	140	560	1,261	421	1,682
Total lease cost	<u>\$ 420</u>	<u>\$ 641</u>	<u>\$ 1,061</u>	<u>\$ 1,261</u>	<u>\$ 1,866</u>	<u>\$ 3,127</u>
<b>Other Information</b>						
Cash paid for amounts included in the measurement of lease liabilities and capitalized operating leases:						
Operating cash flows	\$ —	\$ 550	\$ 550	\$ —	\$ 1,527	\$ 1,527
Weighted-average remaining lease term (in years):						
Capitalized operating leases				—	2.22	2.22
Weighted-average discount rate:						
Capitalized operating leases				— %	4.27 %	4.27 %

As of September 30, 2025, future lease payments over the remaining term of capitalized operating leases were as follows (in thousands):

<b>For the Years Ended December 31,</b>	
2025, excluding the nine months ended September 30, 2025	\$ 521
2026	1,205
2027	237
2028	161
2029	—
Thereafter	—
	<u>2,124</u>
Imputed interest	(63)
Lease liability balance at September 30, 2025	<u>\$ 2,061</u>

As of September 30, 2025, the right-of-use, or ROU, asset had a balance of \$1,781. The long-term lease liability was \$437 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was \$1,624. As of December 31, 2024, the ROU asset had a balance of \$3,077. The long-term lease liability was \$1,552 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was \$1,805.

**Note 6—Accumulated Other Comprehensive Income**

Accumulated other comprehensive 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 income were as follows (in thousands):

	<b>Nine Months Ended September 30, 2025</b>
Balance - December 31, 2024	\$ 174
Other comprehensive income before reclassifications, net of tax	12
Less amounts reclassified from accumulated other comprehensive income, net of tax	101
Net other comprehensive loss	(89)
Balance - September 30, 2025	<u>\$ 85</u>
	<b>Nine Months Ended September 30, 2024</b>
Balance - December 31, 2023	\$ 81
Other comprehensive income before reclassifications, net of tax	477
Less amounts reclassified from accumulated other comprehensive income, net of tax	81
Net other comprehensive income	396
Balance - September 30, 2024	<u>\$ 477</u>

Included in amounts reclassified from accumulated other comprehensive 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 segments’ operating income (which includes certain corporate overhead allocations attributable to each of the segments). Net sales presented below exclude inter-segment product revenues. The CODM uses operating income for each segment in the annual budget, periodic forecasting, and quarterly results processes.

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

	<b>Three Months Ended September 30, 2025</b>			<b>Total</b>
	<b>Enterprise Solutions</b>	<b>Business Solutions</b>	<b>Public Sector Solutions</b>	
Net sales	\$ 319,744	\$ 256,841	\$ 132,483	<u>\$ 709,068</u>
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 <sup>1</sup>	670	1,165	1,730	
Operating income (loss)	<u>\$ 10,383</u>	<u>\$ 23,706</u>	<u>\$ (625)</u>	\$ 33,464
Unallocated Headquarters/Other expenses				(3,198)
Interest income, net				3,689
Income before taxes				<u>\$ 33,955</u>

	<b>Three Months Ended September 30, 2024</b>			<b>Total</b>
	<b>Enterprise Solutions</b>	<b>Business Solutions</b>	<b>Public Sector Solutions</b>	
Net sales	\$ 296,970	\$ 252,631	\$ 175,116	<u>\$ 724,717</u>
Cost of sales	250,753	189,498	149,060	
Personnel costs	15,781	17,343	9,794	
Marketing	1,228	4,178	739	
Allocated corporate overhead	17,767	20,003	10,001	
Depreciation and amortization	215	155	22	
Other segment expenses <sup>1</sup>	946	1,389	1,158	
Operating income	<u>\$ 10,280</u>	<u>\$ 20,065</u>	<u>\$ 4,342</u>	\$ 34,687
Unallocated Headquarters/Other expenses				(4,646)
Interest income, net				4,837
Other income				1,700
Income before taxes				<u>\$ 36,578</u>

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

	<b>Nine Months Ended September 30, 2025</b>			
	<b>Enterprise Solutions</b>	<b>Business Solutions</b>	<b>Public Sector Solutions</b>	<b>Total</b>
Net sales	\$ 943,758	\$ 808,394	\$ 417,655	<u>\$ 2,169,807</u>
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 <sup>1</sup>	2,947	5,293	6,043	
Operating income (loss)	<u>\$ 25,231</u>	<u>\$ 67,687</u>	<u>\$ (6,099)</u>	\$ 86,819
Unallocated Headquarters/Other expenses				(11,134)
Interest income, net				10,805
Other income				76
Income before taxes				<u>\$ 86,566</u>
Segment assets	\$ 743,554	\$ 620,098	\$ 94,832	\$ 1,458,484
Headquarters/Other assets				(152,964)
Consolidated assets				<u>\$ 1,305,520</u>

	<b>Nine Months Ended September 30, 2024</b>			
	<b>Enterprise Solutions</b>	<b>Business Solutions</b>	<b>Public Sector Solutions</b>	<b>Total</b>
Net sales	\$ 878,437	\$ 786,698	\$ 428,086	<u>\$ 2,093,221</u>
Cost of sales	743,441	596,875	362,885	
Personnel costs	46,596	53,430	27,455	
Marketing	3,872	12,180	2,734	
Allocated corporate overhead	54,582	61,200	30,600	
Depreciation and amortization	641	465	68	
Other segment expenses <sup>1</sup>	2,948	4,465	2,638	
Operating income	<u>\$ 26,357</u>	<u>\$ 58,083</u>	<u>\$ 1,706</u>	\$ 86,146
Unallocated Headquarters/Other expenses				(11,722)
Interest income, net				14,053
Other income				1,700
Income before taxes				<u>\$ 90,177</u>
Segment assets	\$ 717,143	\$ 553,881	\$ 117,728	\$ 1,388,752
Headquarters/Other assets				(103,007)
Consolidated assets				<u>\$ 1,285,745</u>

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

The assets of the Company's three operating segments presented above consist primarily of accounts receivable, net intercompany receivables, goodwill, and other intangibles, net. Assets reported under the Headquarters/Other are managed by corporate headquarters, including cash and cash equivalents, short-term investments, inventories, property and equipment, ROU assets, and intercompany balance, net. As of September 30, 2025 and 2024, total assets for the Headquarters/Other were presented net of intercompany balance eliminations of \$51,204 and \$64,994, 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 nine months ended September 30, 2025 and 2024, the Company borrowed incremental amounts that were each repaid in full. These borrowings for the nine months ended September 30, 2025 and 2024 totaled \$732 and \$25,204, respectively; however, at no time were the outstanding borrowings greater than the \$50,000 limit under the credit facility. The Company had no outstanding borrowings under the credit facility immediately prior to the expiration of the credit facility, or as of September 30, 2024.

#### **Note 10—Supplier Finance Programs**

The Company has agreements with third-party financial institutions, instituted by request of participating suppliers, that allow for the ability to finance payment obligations from the Company. The third-party financial institutions have separate arrangements with the Company's suppliers and provide them with the option to request early payment for invoices confirmed by the Company. The Company does not determine the terms or conditions of the arrangements between the third-parties and its suppliers and receives no compensation from the third-party financial institutions. The Company's obligation to its suppliers, including amounts due and scheduled payment dates, are not impacted by the suppliers' decisions to finance amounts under the arrangements. The payment terms under these arrangements are typical with industry standards and range from 30 to 50 days. The agreements with the financial institutions are collateralized by the inventory purchased through the financing agreements. The Company's outstanding payment obligations under the supplier finance programs, which are included in accounts payable on the condensed consolidated balance sheets, were \$59,981 and \$47,763 at September 30, 2025 and December 31, 2024, respectively. The rollforward of the Company's outstanding obligations confirmed as valid under the supplier finance programs for the nine months ended September 30, 2025 is as follows (in thousands):

	<b>2025</b>
Confirmed obligations outstanding at December 31, 2024	\$ 47,763
Invoices confirmed	366,871
Confirmed invoices paid	(354,653)
Confirmed obligations outstanding at September 30, 2025	\$ 59,981

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

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

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

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

## OVERVIEW

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

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

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

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

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

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

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

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

The 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.

If the current government shutdown continues, our net sales may decrease, specifically within our Public Sector Solutions segment, as it would delay government IT investments.

## RECENT EVENTS

On July 4, 2025, the One Big Beautiful Bill Act, or OBBBA, was enacted in the U.S. The OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. We have evaluated the OBBBA's expected impact on the unaudited condensed consolidated financial statements. As of and for the period ended September 30, 2025, there was an immaterial amount recorded to the balance sheet associated with our deferred income tax balances, primarily through adjustments to deferred tax liabilities and income taxes payable. The OBBBA is not expected to have a material impact on our income statement or annual effective tax rate. We will continue to monitor additional guidance related to the OBBBA as it becomes available.

## 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,	
	2025	2024	2025	2024
Net sales	\$ 709.1	\$ 724.7	\$ 2,169.8	\$ 2,093.2
Gross margin	19.6 %	18.7 %	18.6 %	18.6 %
Selling, general and administrative expenses	15.3 %	14.5 %	15.0 %	15.1 %
Income from operations	4.3 %	4.1 %	3.5 %	3.6 %

Net sales of \$709.1 million for the third quarter of 2025 reflect a decrease of \$15.6 million, or 2.2% compared to the third quarter of 2024. The decrease was primarily driven by decreases in net sales of notebooks/mobility, displays and sound, and net/com products of \$20.5 million, \$12.1 million, and \$9.3 million, respectively, as shown in the table in Note 2 "Revenue" in the Notes to our Unaudited Condensed Consolidated Financial Statements. These decreases were partially offset by increases in net sales of software, servers/storage, other hardware/services, desktops, and accessories of \$9.1 million, \$7.6 million, \$4.5 million, \$2.6 million, and \$2.5 million, respectively. Gross profit for the third quarter of 2025 increased year-over-year by \$3.2 million, or 2.4%, to \$138.6 million as illustrated in the table and the discussion beginning on page 21 of this Quarterly Report on Form 10-Q. Gross margin increased to 19.6% from 18.7% a year ago. The increase in gross margin was primarily driven by an increase in the amount of software sales recognized on a net basis as these sales are recognized in the financial statements at 100% margin. SG&A expenses as a percentage of net sales increased to 15.3% compared to 14.5% a year ago. The increase in SG&A expenses is primarily due to an increase in personnel costs as shown in the table on page 20 of this Quarterly Report on Form 10-Q. Operating income for the

third quarter of 2025 remained substantially the same year-over-year in dollars and increased as a percentage of net sales.

**Net Sales Distribution**

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
<b>Operating Segment</b>				
Enterprise Solutions	45 %	41 %	44 %	42 %
Business Solutions	36	35	37	38
Public Sector Solutions	19	24	19	20
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>
<b>Product Mix</b>				
Notebooks/Mobility	34 %	36 %	35 %	35 %
Desktops	11	11	13	11
Software	13	12	11	11
Servers/Storage	7	6	8	7
Net/Com Products	7	8	7	8
Displays and Sound	9	10	8	10
Accessories	12	11	11	11
Other Hardware/Services	7	6	7	7
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

**Gross Profit Margin**

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
<b>Operating Segment</b>				
Enterprise Solutions	14.9 %	15.6 %	14.6 %	15.4 %
Business Solutions	26.5	25.0	25.0	24.1
Public Sector Solutions	17.2	14.9	15.3	15.2
Total Company	<u>19.6 %</u>	<u>18.7 %</u>	<u>18.6 %</u>	<u>18.6 %</u>

**Operating Expenses**

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Personnel costs	\$ 84.5	\$ 79.9	\$ 248.6	\$ 239.5
Marketing	4.9	6.2	17.3	18.8
Service contracts/subscriptions	6.2	6.4	19.4	18.1
Professional fees	4.1	3.3	12.2	9.8
Depreciation and amortization	2.9	3.3	8.9	9.8
Facilities operations	1.9	1.9	5.6	5.6
Credit card fees	1.7	1.8	4.7	5.1
Other	2.2	2.6	8.4	8.5
Total SG&A expense	<u>\$ 108.4</u>	<u>\$ 105.4</u>	<u>\$ 325.1</u>	<u>\$ 315.2</u>
As a percentage of net sales	<u>15.3 %</u>	<u>14.5 %</u>	<u>15.0 %</u>	<u>15.1 %</u>

**Severance Expenses**

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

**Year-Over-Year Comparisons**

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

**Three Months Ended September 30, 2025 Compared to Three Months Ended September 30, 2024**

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

	Three Months Ended September 30,		Three Months Ended September 30,		\$ Change	% Change
	2025	2024	2025	2024		
	Amount	% of Net Sales	Amount	% of Net Sales		
<b>Net Sales:</b>						
Enterprise Solutions	\$ 319.8	45.1 %	\$ 297.0	41.0 %	\$ 22.8	7.7 %
Business Solutions	256.8	36.2	252.6	34.9	4.2	1.7
Public Sector Solutions	132.5	18.7	175.1	24.1	(42.6)	(24.3)
Total	<u>\$ 709.1</u>	<u>100.0 %</u>	<u>\$ 724.7</u>	<u>100.0 %</u>	<u>\$ (15.6)</u>	<u>(2.2)%</u>
<b>Gross Profit:</b>						
Enterprise Solutions	\$ 47.8	14.9 %	\$ 46.2	15.6 %	\$ 1.6	3.4 %
Business Solutions	68.0	26.5	63.1	25.0	4.9	7.8
Public Sector Solutions	22.8	17.2	26.1	14.9	(3.3)	(12.4)
Total	<u>\$ 138.6</u>	<u>19.6 %</u>	<u>\$ 135.4</u>	<u>18.7 %</u>	<u>\$ 3.2</u>	<u>2.4 %</u>

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

- Net sales of \$319.8 million for the Enterprise Solutions segment reflect an increase of \$22.8 million, or 7.7%. The increase in net sales is primarily due to increases in net sales of accessories, notebooks/mobility, servers/storage, software, and other hardware/services of \$12.7 million, \$11.2 million, \$5.9 million, \$5.4 million, and \$3.6 million, respectively. These increases were partially offset by decreases in net sales of displays and sound, net/com products, and desktops of \$8.6 million, \$4.7 million, and \$2.7 million, respectively.
- Net sales of \$256.8 million for the Business Solutions segment reflect an increase of \$4.2 million, or 1.7%. The increase in net sales is primarily due to increases in net sales of software, desktops, other hardware/services, and displays and sound of \$7.0 million, \$5.8 million, \$1.5 million, and \$0.5 million, respectively. These increases were partially offset by decreases in net sales of notebooks/mobility, net/com products, and accessories of \$4.3 million, \$3.7 million, and \$2.6 million, respectively.
- Net sales of \$132.5 million for the Public Sector Solutions segment reflect a decrease of \$42.6 million, or 24.3%. Sales to the federal government decreased by \$23.0 million, or 44.3%, compared to the prior year quarter, while sales to state and local government and educational institutions decreased by \$19.6 million, or 15.9%. The decrease in sales to the federal government was primarily driven by a few large orders in the prior period. The decrease in sales to state and local government and educational institutions was primarily driven by the timing of purchases associated with government funding reductions. The decrease in net sales is primarily due to decreases in net sales of notebooks/mobility, accessories, displays and sound, software, net/com

products, other hardware/services, and desktops of \$27.4 million, \$7.6 million, \$4.1 million, \$3.2 million, \$0.9 million, \$0.6 million, and \$0.5 million, respectively. These decreases were partially offset by an increase in net sales of servers/storage of \$1.7 million.

*Gross profit* for the third quarter of 2025 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross profit for the Enterprise Solutions segment increased by \$1.6 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 \$4.9 million year-over-year primarily due to net sales of notebooks/mobility at improved invoice margins primarily as a result of low-margin deals in the prior period.
- Gross profit for the Public Sector Solutions segment decreased by \$3.3 million primarily due to the decrease in net sales as discussed in the preceding paragraph.

*Gross margin* for the third quarter of 2025 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross margin for the Enterprise Solutions segment decreased by 70 basis points primarily due to a decrease in the amount of software sales recognized on a net basis, as well as reduced software agency fees.
- Gross margin for the Business Solutions segment increased by 150 basis points primarily due to an increase in the amount of software sales recognized on a net basis.
- Gross margin for the Public Sector Solutions segment increased by 230 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.

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

	Three Months Ended September 30,				\$	%
	2025	% of Segment Net Sales	2024	% of Segment Net Sales		
	Amount		Amount		Change	Change
Enterprise Solutions	\$ 37.4	11.7 %	\$ 35.9	12.1 %	\$ 1.5	4.0 %
Business Solutions	44.4	17.3	43.1	17.1	1.3	3.0
Public Sector Solutions	23.4	17.7	21.7	12.4	1.7	8.0
Headquarters/Other, unallocated	3.2		4.7		(1.5)	(31.2)
Total	<u>\$ 108.4</u>	<u>15.3 %</u>	<u>\$ 105.4</u>	<u>14.5 %</u>	<u>\$ 3.0</u>	<u>2.9 %</u>

- 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 use of shared Headquarter services and personnel costs of \$1.2 million and \$0.8 million, respectively, partially offset by decreases in marketing and service contracts/subscriptions of \$0.3 million each. SG&A expenses as a percentage of net sales were 11.7% for the Enterprise Solutions segment for the third quarter of 2025, which reflects a decrease of 40 basis points and is primarily due to the increase in net sales discussed above.
- SG&A expenses for the Business Solutions segment increased year-over-year in dollars but remained substantially the same as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to an increase in use of shared Headquarter services of \$2.8 million, partially offset by a decrease in marketing of \$1.5 million.

- SG&A expenses for the Public Sector Solutions segment increased year-over-year both in dollars and as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to increases in use of shared Headquarter services and professional fees of \$1.4 million and \$0.7 million, respectively, partially offset by a decrease in personnel costs of \$0.2 million. SG&A expenses as a percentage of net sales were 17.7% for the Public Sector Solutions segment for the third quarter of 2025, which reflects an increase of 530 basis points and is primarily due to the decrease in net sales discussed above, combined with the increase in SG&A dollars.
- SG&A expenses for the Headquarters/Other decreased year-over-year by \$1.5 million primarily due to an increase in the allocated amounts to the operating segments of \$5.5 million, partially offset by an increase in personnel costs of \$3.8 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 2025 was \$30.3 million, which was substantially the same as the prior year quarter. Income from operations as a percentage of net sales increased to 4.3% for the third quarter of 2025, compared to 4.1% for the prior year quarter, primarily due to the decrease in net sales, as discussed above.

*Interest income, net* for the third quarter of 2025 decreased to \$3.7 million, compared to \$4.8 million for the third quarter of 2024, primarily due to a decrease in interest income of \$1.2 million. The decrease in interest income is primarily a result of lower realized interest rates in the current period combined with lower cash equivalent and investment balances in the current period.

*Other income* was not received during the third quarter of 2025. Other income for the third quarter of 2024 was \$1.7 million as a result of a legal settlement received.

*Income taxes.* Our provision for income taxes for the third quarter of 2025 decreased to \$9.2 million, compared to \$9.5 million for the third quarter of 2024. Our effective tax rate was 27.1% for the quarter ended September 30, 2025, compared to 26.0% for the quarter ended September 30, 2024. The increase in the effective tax rate was primarily due to non-recurring benefits included in the prior year period.

*Net income* for the third quarter of 2025 decreased to \$24.7 million, compared to \$27.1 million for the third quarter of 2024, primarily due to the decrease in other income combined with the decrease in interest income, net, as discussed above.

***Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024***

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

	Nine Months Ended September 30,		2025		2024		\$ Change	% Change
	Amount	% of Net Sales	Amount	% of Net Sales				
<b>Net Sales:</b>								
Enterprise Solutions	\$ 943.8	43.5 %	\$ 878.4	42.0 %	\$ 65.4	7.4 %		
Business Solutions	808.4	37.3	786.7	37.6	21.7	2.8		
Public Sector Solutions	417.6	19.2	428.1	20.4	(10.5)	(2.4)		
Total	<u>\$ 2,169.8</u>	<u>100.0 %</u>	<u>\$ 2,093.2</u>	<u>100.0 %</u>	<u>\$ 76.6</u>	<u>3.7 %</u>		
<b>Gross Profit:</b>								
Enterprise Solutions	\$ 137.7	14.6 %	\$ 135.0	15.4 %	\$ 2.7	2.0 %		
Business Solutions	202.3	25.0	189.8	24.1	12.5	6.6		
Public Sector Solutions	63.7	15.3	65.2	15.2	(1.5)	(2.3)		
Total	<u>\$ 403.7</u>	<u>18.6 %</u>	<u>\$ 390.0</u>	<u>18.6 %</u>	<u>\$ 13.7</u>	<u>3.5 %</u>		

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

- Net sales of \$943.8 million for the Enterprise Solutions segment reflect an increase of \$65.4 million, or 7.4%. The increase in net sales is primarily due to increases in net sales of desktops, servers/storage, accessories, notebooks/mobility, software, and other hardware/services of \$17.7 million, \$17.5 million, \$16.5 million, \$16.4 million, \$13.4 million, and \$9.9 million, respectively. These increases were partially offset by decreases in net sales of displays and sound and net/com products of \$24.0 million and \$2.0 million, respectively.
- Net sales of \$808.4 million for the Business Solutions segment reflect an increase of \$21.7 million, or 2.8%. The increase in net sales is primarily due to increases in net sales of desktops, notebooks/mobility, software, and displays and sound of \$19.9 million, \$14.2 million, \$8.3 million, and \$1.7 million, respectively. These increases were partially offset by decreases in net sales of accessories, net/com products, and servers/storage of \$13.5 million, \$7.9 million, and \$1.2 million, respectively.
- Net sales of \$417.6 million for the Public Sector Solutions segment reflect a decrease of \$10.5 million, or 2.4%. Sales to the federal government increased by \$19.1 million, or 20.1%, while sales to state and local government and educational institutions decreased by \$29.6 million, or 8.9%. The decrease in net sales is primarily due to decreases in net sales of notebooks/mobility, displays and sound, other hardware/services, and software of \$11.1 million, \$7.2 million, \$4.4 million, and \$2.0 million, respectively. These decreases were partially offset by increases in net sales of desktops and servers/storage of \$7.9 million and \$6.9 million, respectively.

*Gross profit* for the nine months ended September 30, 2025 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross profit for the Enterprise Solutions segment increased by \$2.7 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 \$12.5 million year-over-year primarily due to net sales of notebooks/mobility at improved invoice margins primarily as a result of low-margin deals in the prior period.
- Gross profit for the Public Sector Solutions segment decreased by \$1.5 million primarily due to the decrease in net sales as discussed in the preceding paragraph.

Gross margin for the nine months ended September 30, 2025 remained substantially the same year-over-year, as explained by the year-over-year changes discussed below:

- Gross margin for the Enterprise Solutions segment decreased by 80 basis points primarily due to a decrease in the amount of software sales recognized on a net basis, as well as reduced software agency fees.
- Gross margin for the Business Solutions segment increased by 90 basis points primarily due to an increase in the amount of software sales recognized on a net basis.
- Gross margin for the Public Sector Solutions segment remained substantially the same year-over-year.

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

	Nine Months Ended September 30,					
	2025		2024		\$ Change	% Change
	Amount	% of Segment Net Sales	Amount	% of Segment Net Sales		
Enterprise Solutions	\$ 112.5	11.9 %	\$ 108.6	12.4 %	\$ 3.9	3.5 %
Business Solutions	133.0	16.5	131.8	16.8	1.2	1.0
Public Sector Solutions	69.8	16.7	63.5	14.8	6.3	10.0
Headquarters/Other, unallocated	9.8		11.3		(1.5)	(13.1)
Total	<u>\$ 325.1</u>	15.0 %	<u>\$ 315.2</u>	15.1 %	<u>\$ 9.9</u>	3.1 %

- 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 professional fees of \$3.2 million, \$0.8 million, and \$0.5 million, respectively, partially offset by a decrease in service contracts/subscriptions of \$0.8 million. SG&A expenses as a percentage of net sales were 11.9% for the Enterprise Solutions segment for the nine months ended September 30, 2025, which reflects a decrease of 50 basis points and is primarily due to the increase in net sales discussed above.
- SG&A expenses for the Business Solutions segment increased year-over-year in dollars but decreased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to an increase in the use of shared Headquarter services of \$4.6 million, partially offset by decreases in marketing, personnel costs, and credit card fees of \$2.1 million, \$0.5 million, and \$0.4 million, respectively. SG&A expenses as a percentage of net sales were 16.5% for the Business Solutions segment for the nine months ended September 30, 2025, which reflects a decrease of 30 basis points and is primarily due to the increase in net sales discussed above.
- SG&A expenses for the Public Sector Solutions segment increased year-over-year both in dollars and as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to increases in professional fees, use of shared Headquarter services, and personnel costs of \$2.9 million, \$2.3 million, and \$1.0 million, respectively. SG&A expenses as a percentage of net sales were 16.7% for the Public Sector Solutions segment for the nine months ended September 30, 2025, which reflects an increase of 190 basis points and is primarily due to the decrease in net sales discussed above combined with the increase in SG&A dollars.
- SG&A expenses for the Headquarters/Other decreased year-over-year primarily due to an increase in the allocated amounts to the operating segments of \$7.7 million, as well as decreases in professional fees and depreciation and amortization of \$1.0 million and \$0.9 million, respectively, partially offset by increases in personnel costs, service contracts/subscriptions, and marketing of \$5.4 million, \$2.0 million, and \$1.1 million, respectively. The Headquarters/Other provides services to the three segments in areas such as finance, distribution center, human resources, IT, marketing, and product management. Most of the operating costs

associated with such corporate Headquarters/Other services are charged to the segments based on their estimated allocation usage of the underlying services.

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

*Income from operations* for the nine months ended September 30, 2025 increased to \$75.7 million, compared to \$74.4 million for the nine months ended September 30, 2024, primarily due to the increase in gross profit, partially offset by the increases in SG&A expenses and severance expenses, as discussed above. Income from operations as a percentage of net sales decreased to 3.5% for the nine months ended September 30, 2025, compared to 3.6% for the nine months ended September 30, 2024, primarily due to the increase in net sales, as discussed above.

*Interest income, net* for the nine months ended September 30, 2025 decreased to \$10.8 million, compared to \$14.1 million for the nine months ended September 30, 2024, primarily due to a decrease in interest income of \$3.3 million. The decrease in interest income is primarily a result of lower realized interest rates in the current period combined with lower cash equivalent and investment balances in the current period.

*Other income* for the nine months ended September 30, 2025 was \$0.1 million related to a realized gain on sale of short-term investments, compared to \$1.7 million for the nine months ended September 30, 2024 as a result of a legal settlement received.

*Income taxes.* Our provision for income taxes for the nine months ended September 30, 2025 decreased to \$23.6 million, compared to \$23.8 million for the nine months ended September 30, 2024. Our effective tax rate was 27.2% for the nine months ended September 30, 2025, compared to 26.4% for the nine months ended September 30, 2024. The increase in the effective tax rate was primarily due to non-recurring benefits included in the prior year period.

*Net income* for the nine months ended September 30, 2025 decreased to \$63.0 million, compared to \$66.4 million for the nine months ended September 30, 2024, primarily due to the decrease in interest income, net combined with the decrease in other income, partially offset by the increase in income from operations, as discussed above.

## **Liquidity and Capital Resources**

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

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

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

- *Cash and Cash Equivalents.* As of September 30, 2025, we had \$187.8 million in cash and cash equivalents.
- *Short-term Investments.* As of September 30, 2025, we had \$211.4 million in short-term investments.
- *Cash Generated from Operations.* We expect to generate cash flows from operations in excess of operating cash needs by generating earnings and managing net changes in inventories and receivables with changes in payables to generate positive cash flow.

Our ability to continue funding our planned growth, both internally and externally, is dependent upon our ability to generate sufficient cash flow from operations or to obtain additional funds through equity or debt financing, or from

other sources of financing, as may be required. While we do not anticipate needing any additional sources of financing to fund our operations at this time, if demand for IT products declines, or our customers are materially adversely impacted by the developing macroeconomic trends characterized by inflation and increased interest rates, our cash flows from operations may be substantially affected.

### **Dividends**

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

<b>Dividend Amount</b>	<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
\$ 0.15	February 4, 2025	February 25, 2025	March 14, 2025
\$ 0.15	April 29, 2025	May 13, 2025	May 30, 2025
\$ 0.15	July 29, 2025	August 12, 2025	August 29, 2025

On October 29, 2025, we announced that our Board of Directors declared a quarterly cash dividend on our common stock of \$0.15 per share. The dividend will be paid on November 28, 2025 to all stockholders of record as of the close of business on November 11, 2025. The declaration and payment of any future dividends is at the discretion of our Board of Directors and will depend upon our financial position, strategic plans, general business conditions and any other factors deemed relevant by our Board of Directors.

### **Summary of Sources and Uses of Cash**

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

	<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Net cash provided by operating activities	\$ 38.0	\$ 148.7
Net cash provided by (used in) investing activities	49.3	(109.7)
Net cash used in financing activities	(77.8)	(16.4)
Increase in cash and cash equivalents	<u>\$ 9.5</u>	<u>\$ 22.6</u>

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

	<b>Nine Months Ended September 30,</b>		
	<b>2025</b>	<b>2024</b>	<b>Change</b>
Net income	\$ 63.0	\$ 66.4	\$ (3.4)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8.9	9.8	(0.9)
Adjustments to credit losses reserve	1.2	0.8	0.4
Stock-based compensation expense	7.1	6.2	0.9
Deferred income taxes	3.2	2.4	0.8
Amortization of discount on short-term investments, net	(1.6)	(4.4)	2.8
Other adjustments	—	0.2	(0.2)
Changes in assets and liabilities:			
Accounts receivable	(6.5)	20.9	(27.4)
Inventories	(40.0)	10.5	(50.5)
Prepaid expenses and other current assets	(4.9)	(3.4)	(1.5)
Other non-current assets	(3.8)	0.5	(4.3)
Accounts payable	11.9	29.1	(17.2)
Accrued expenses and other liabilities	(0.5)	9.6	(10.1)
Net cash provided by operating activities	<u>\$ 38.0</u>	<u>\$ 148.6</u>	<u>\$ (110.6)</u>

The decrease in net cash from operating activities of \$110.6 million for the nine months ended September 30, 2025 was primarily attributable to changes in inventories, accounts receivable, accounts payable, and accrued expenses and other liabilities of \$50.5 million, \$27.4 million, \$17.2 million, and \$10.1 million, respectively. The decrease in cash from

operating activities attributable to inventories is primarily due to increased inventory purchases related to customer rollouts. The decrease in cash from operating activities attributable to accounts receivable is primarily driven by the timing of collections. The decrease in cash from operating activities attributable to accounts payable and accrued expenses and other liabilities is primarily due to the timing of payments.

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

(in days)	September 30,	
	2025	2024
Days of sales outstanding (DSO) <sup>(1)</sup>	74	67
Days of supply in inventory (DIO) <sup>(2)</sup>	22	18
Days of purchases outstanding (DPO) <sup>(3)</sup>	(50)	(45)
Cash conversion cycle	<u>46</u>	<u>40</u>

- (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 46 days at September 30, 2025, compared to 40 days at September 30, 2024, as evidenced in the above cash conversion table. The increase in DSO is primarily due to the increase in trade receivables as of September 30, 2025 compared to September 30, 2024 combined with the decrease in net sales for the three months ended September 30, 2025 compared to the three months ended September 30, 2024. The increase in DIO is primarily due to the increase in inventory as of September 30, 2025 compared to September 30, 2024. The increase in DPO is primarily due to the increase in accounts payable as of September 30, 2025 compared to September 30, 2024.

*Cash provided by investing activities* for the nine months ended September 30, 2025 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. These property and equipment expenditures were primarily for computer equipment and capitalized internally developed software in connection with investments in our IT infrastructure. In the prior year period, investing activities consisted of \$255.1 million of purchases of U.S. Government treasury securities, \$150.6 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, 2025 consisted primarily 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. In the prior year period, financing activities consisted of \$25.2 million of aggregate borrowings and repayments, \$7.7 million of treasury purchases, \$7.9 million of dividend payments, \$0.5 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.

#### ***Debt Instruments, Contractual Agreements, and Related Covenants***

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

*Credit Facility.* Our credit facility collateralized by our accounts receivable expired March 31, 2025. We did not elect to extend or replace this credit facility given our significant cash, cash equivalent, and short-term investment balances. Amounts outstanding under this credit facility bore interest at the greatest of (i) the prime rate (7.50% at March

31, 2025), (ii) the federal funds effective rate plus 0.50% per annum, and (iii) the daily BSBY Rate, plus 1.00% per annum, but at no time less than 0% per annum. While we used this credit facility from time to time, we did not have borrowings outstanding at any recent quarter-end nor immediately prior to the expiration of the credit facility.

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

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

*Operating Leases.* We lease facilities, including our corporate headquarters and a facility adjacent to our corporate headquarters, from a related party, which is a company affiliated with us through common ownership. The lease agreements of these two Merrimack, New Hampshire facilities have expired. We continue to occupy the facilities on a month-to-month basis under the terms of the prior written lease agreements. It is our intention to enter into a written, long-term lease for the facilities. 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, 2024 for additional information regarding our operating leases.

#### ***Factors Affecting Sources of Liquidity***

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

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

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

#### **APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

#### **RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS**

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

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

#### **Item 4. Controls and Procedures**

##### **Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2025. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as described above. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

##### **Changes in Internal Control over Financial Reporting**

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

**PART II — OTHER INFORMATION****Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

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

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

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

Issuer Purchases of Equity Securities				
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (1)(2)
07/01/25-07/31/25	22,234	\$ 62.95	22,234	\$ 48.0
08/01/25-08/31/25	48,150	\$ 60.23	48,150	\$ 45.1
09/01/25-09/30/25	13,309	\$ 61.85	13,309	\$ 44.3
	<u>83,693</u>	\$ 61.21	<u>83,693</u>	

- (1) We have repurchased in aggregate approximately 4.0 million shares of our common stock for approximately \$125.7 million pursuant to the repurchase program approved by our Board of Directors.
- (2) On March 28, 2001, we announced that our Board of Directors authorized the spending of up to \$15.0 million to repurchase shares of our common stock. On each of February 11, 2014, December 17, 2018, November 22, 2022, May 1, 2024, and April 30, 2025, our Board of Directors approved increases of \$15.0 million, \$25.0 million, \$25.0 million, \$40.0 million, and \$50.0 million, respectively, to the repurchase program bringing the aggregate authorized amount under the repurchase program to \$170.0 million. There is no fixed termination date for this repurchase program. Purchases may be made in open-market transactions, block transactions on or off an exchange, or in privately negotiated transactions. The timing and amount of any share repurchases will be based on market conditions and other factors.

**Item 5. Other Information****Director and Officer Trading Arrangements**

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

**Item 6. Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
3.1	<a href="#">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).</a>
3.2	<a href="#">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).</a>
31.1 *	<a href="#">Certification of the Company's President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2 *	<a href="#">Certification of the Company's Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1 *	<a href="#">Certification of the Company's President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2 *	<a href="#">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.</a>
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).

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\* 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, 2025 and December 31, 2024, (ii) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2025 and 2024, (iii) Condensed Consolidated Statements of Other Comprehensive Income for the three and nine months ended September 30, 2025 and 2024, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2025 and 2024, (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2025 and 2024, and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.

**SIGNATURES**

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

**PC CONNECTION, INC.**

Date: October 29, 2025

By: /s/ TIMOTHY J. MCGRATH

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

Date: October 29, 2025

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 29, 2025

/s/ TIMOTHY J. MCGRATH

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

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**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 29, 2025

/s/ THOMAS C. BAKER

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

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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, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Timothy J. McGrath, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to the best of his knowledge:

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

Date: October 29, 2025

/s/ TIMOTHY J. MCGRATH

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

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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, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Thomas C. Baker, Senior Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to the best of his knowledge:

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

Date: October 29, 2025

/s/ THOMAS C. BAKER

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

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