



PC Connection, Inc.
Third Quarter 2018
Earnings Conference Call and Webcast

The logo for Connection, featuring the word 'Connection' in a white, sans-serif font. A blue arc is positioned above the 'o' and 'n' of 'Connection'.

Connection™

Disclosures

Safe Harbor Statement

Under the Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements that are based on currently available information, operating plans, and projections about future events and trends. Terms such as "believe," "expect," "intend," "plan," "estimate," "anticipate," "may," "should," "will," or similar statements or variations of such terms are intended to identify forward-looking statements, although not all forward-looking statements include such terms. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such forward-looking statements. Such risks and uncertainties include, but are not limited to, the impact of changes in market demand and the overall level of economic activity and environment, or in the level of business investment in information technology products, product availability and market acceptance, new products, continuation of key vendor and customer relationships and support programs, the ability to realize market demand for and competitive pricing pressures on the products and services marketed by the Company, fluctuations in operating results and the ability of the Company to manage personnel levels in response to fluctuations in revenue, the ability of the Company to hire and retain qualified sales representatives and other essential personnel, the impact of changes in accounting requirements, and other risks detailed in the Company's filings with the Securities and Exchange Commission, including under the caption "Risk Factors" in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2017. The Company assumes no obligation to update the information in this press release or revise any forward-looking statements, whether as a result of any new information, future events, or otherwise, except as required by law.

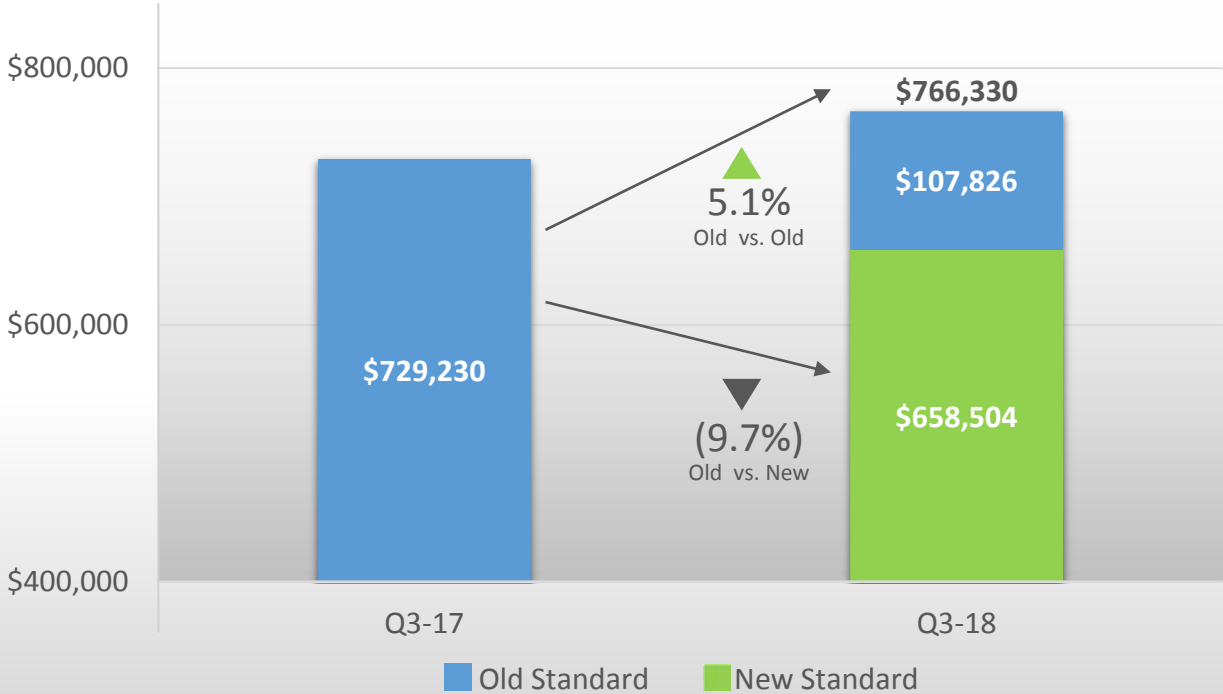
Non-GAAP Financial Information

Adjusted EBITDA is a non-GAAP financial measure. This information is included to provide information with respect to the Company's operating performance and earnings. Non-GAAP measures are not a substitute for GAAP measures and should be considered together with the GAAP financial measures. Our non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. A reconciliation of Non-GAAP financial measures presented in this document to our actual GAAP results is included in the press release issued today, which you may find on the Investor Relations section of our website at ir.connection.com.

PC Connection, Inc. & Subsidiaries Revenue Growth

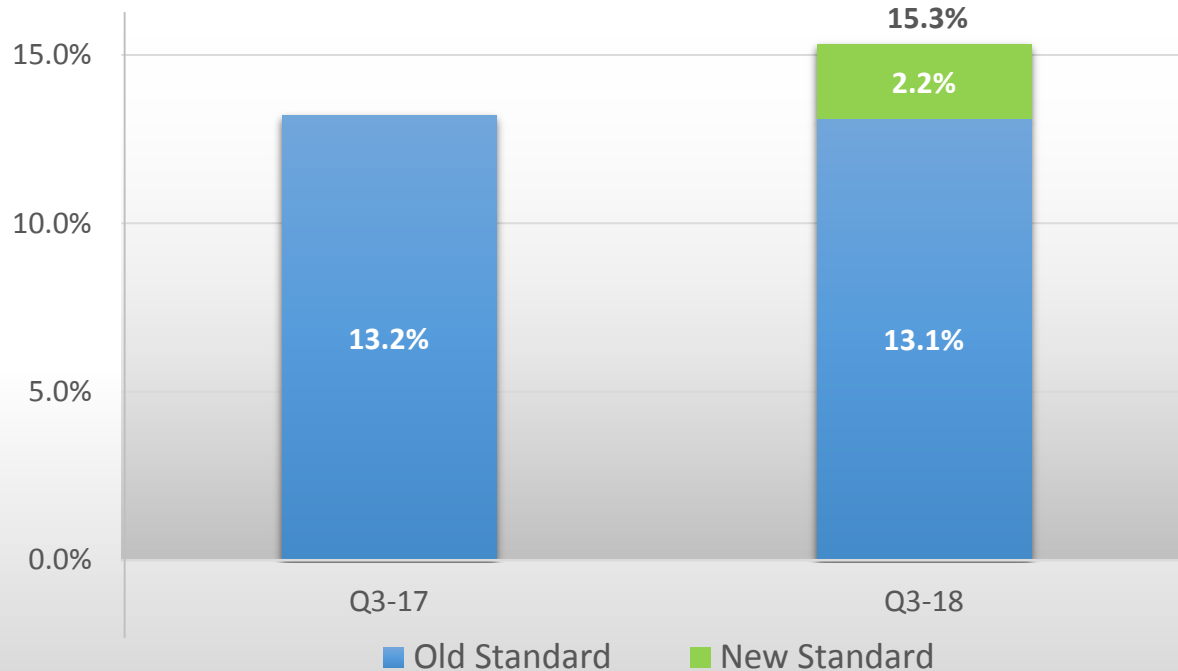
Q3 2018 vs. Q3 2017

(amounts in thousands)



PC Connection, Inc. & Subsidiaries Gross Margin

Q3 2018 vs. Q3 2017



PC Connection, Inc. & Subsidiaries

Business Segments – Sales & Margin

RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT NET SALES

(Unaudited, in thousands)

	Three Months Ended September 30,				Change As Presented		Change Previous Revenue Standard	
	2018		2017		Amount	Percent	Amount	Percent
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard					
Net sales								
Business Solutions	\$ 244,872	\$ 49,335	\$ 294,207	\$ 290,569	\$ (45,697)	(15.7%)	\$ 3,638	1.3%
Enterprise Solutions	265,477	38,106	303,583	268,022	(2,545)	(0.9%)	35,561	13.3%
Public Sector Solutions	148,155	20,385	168,540	170,639	(22,484)	(13.2%)	(2,099)	(1.2%)
Total	\$ 658,504	\$ 107,826	\$ 766,330	\$ 729,230	\$ (70,726)	(9.7%)	\$ 37,100	5.1%

RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS PROFITS

(Unaudited, in thousands)

	Three Months Ended September 30,				Change As Presented		Change Previous Revenue Standard	
	2018		2017		Amount	Percent	Amount	Percent
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard					
Gross profits								
Business Solutions	\$ 44,586	\$ 377	\$ 44,963	\$ 43,393	\$ 1,193	2.7%	\$ 1,570	3.6%
Enterprise Solutions	37,880	(13)	37,867	34,064	3,816	11.2%	3,803	11.2%
Public Sector Solutions	17,978	(113)	17,865	18,686	(708)	(3.8%)	(821)	(4.4%)
Total	\$ 100,444	\$ 251	\$ 100,695	\$ 96,143	\$ 4,301	4.5%	\$ 4,552	4.7%

RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS MARGINS

(Unaudited, in thousands)

	Three Months Ended September 30,				Change As Presented	Change Previous Revenue Standard
	2018		2017		Amount	Amount
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard			
Gross margins						
Business Solutions	18.2%	(293)	15.3%	14.9%	327	35
Enterprise Solutions	14.3%	(180)	12.5%	12.7%	156	(24)
Public Sector Solutions	12.1%	(153)	10.6%	11.0%	118	(35)
Total	15.3%	(211)	13.1%	13.2%	207	(4)

PC Connection, Inc. & Subsidiaries Income Statement

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Net sales	\$ 658,504	\$ 729,230	\$ 1,989,969	\$ 2,149,616
Cost of sales	558,060	633,087	1,685,685	1,867,070
Gross profit	100,444	96,143	304,284	282,546
Selling, general and administrative expenses	81,494	74,404	244,915	226,915
Income from operations	18,950	21,739	59,369	55,631
Interest/other expense, net	114	(8)	412	20
Income tax provision	(5,298)	(8,614)	(16,489)	(21,517)
Net income	<u>\$ 13,766</u>	<u>\$ 13,117</u>	<u>\$ 43,292</u>	<u>\$ 34,134</u>
Earnings per common share:				
Basic	<u>\$ 0.52</u>	<u>\$ 0.49</u>	<u>\$ 1.62</u>	<u>\$ 1.28</u>
Diluted	<u>\$ 0.51</u>	<u>\$ 0.49</u>	<u>\$ 1.61</u>	<u>\$ 1.27</u>
Shares used in the computation of earnings per common share:				
Basic	<u>26,716</u>	<u>26,802</u>	<u>26,745</u>	<u>26,754</u>
Diluted	<u>26,902</u>	<u>26,899</u>	<u>26,883</u>	<u>26,886</u>

(1) Amounts are not restated and represent the amounts recognized under generally accepted accounting principles in place during the relevant reporting period.

PC Connection, Inc. & Subsidiaries Adjusted EBITDA

EBITDA AND ADJUSTED EBITDA

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

(amounts in thousands)

	Three Months Ended September 30,			LTM Ended September 30, ⁽¹⁾		
	2018	2017	% Change	2018	2017	% Change
Net income	\$ 13,766	\$ 13,117	5%	\$ 64,015	\$ 47,131	36%
Depreciation and amortization	3,634	2,935	24%	13,557	11,593	17%
Income tax expense	5,298	8,614	(38%)	17,740	30,407	(42%)
Interest expense	51	30	70%	142	142	0%
EBITDA	22,749	24,696	(8%)	95,454	89,273	7%
Special charges ⁽²⁾	-	-	0%	2,695	2,452	10%
Stock-based compensation	273	176	55%	919	634	45%
Adjusted EBITDA	<u>\$ 23,022</u>	<u>\$ 24,872</u>	(7%)	<u>\$ 99,068</u>	<u>\$ 92,359</u>	7%

(1) LTM: Last twelve months

(2) Special charges in 2017 consist of a fourth quarter one-time bonus paid to all employees except executive officers as well as severance and relocation costs for our Softmart facility incurred in the second quarter 2017. Special charges in last twelve months of 2017 consist of our acquisition of Softmart, the rebranding of the Company, and duplicate costs incurred with the move of our Chicago-area facility.

PC Connection, Inc. & Subsidiaries Balance Sheet

CONDENSED CONSOLIDATED BALANCE SHEETS	September 30,	December 31,
<i>(amounts in millions)</i>	2018	2017 ⁽¹⁾
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 102	\$ 50
Accounts receivable, net	401	449
Inventories, net	105	107
Prepaid expenses and other current assets	6	6
Income taxes receivable	3	4
Total current assets	617	616
Property and equipment, net	48	41
Goodwill	74	74
Intangibles assets, net	10	11
Other assets	1	6
Total Assets	\$ 750	\$ 748
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 165	\$ 194
Accrued expenses and other liabilities	24	31
Accrued payroll	20	23
Total current liabilities	209	248
Deferred income taxes	16	16
Other liabilities	2	2
Total Liabilities	227	266
Stockholders' Equity:		
Common stock	-	-
Additional paid-in capital	115	114
Retained earnings	428	384
Treasury stock at cost	(20)	(16)
Total Stockholders' Equity	523	482
Total Liabilities and Stockholders' Equity	\$ 750	\$ 748

(1) Amounts are not restated and represent the amounts recognized under generally accepted accounting principles in place during the relevant reporting period.

PC Connection, Inc. & Subsidiaries Cash Flow Trend

Cash Flow Activity	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2018	2017	2018	2017
Net cash provided by operating activities	\$ 39.7	\$ 38.1	\$ 81.3	\$ 28.4
Net cash used in investing activities	(5.7)	(3.4)	(15.6)	(7.9)
Net cash used in financing activities	(0.5)	(0.5)	(13.4)	(7.3)
Increase in cash & cash equivalents	33.5	34.2	52.2	13.2
Cash and cash equivalents, beginning of period	68.7	28.1	50.0	49.2
Cash and cash equivalents, end of period	\$ 102.2	\$ 62.3	\$ 102.2	\$ 62.3

(Amounts in millions)

PC Connection, Inc. & Subsidiaries

Other Key Operating Metrics / Stock Repurchases

CONSOLIDATED SELECTED FINANCIAL INFORMATION UNDER PREVIOUS REVENUE RECOGNITION STANDARD

	2018		2017	
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard	
Inventory turns	22	4	26	22
Days sales outstanding	50	(7)	43	43

	Held in Treasury		
	Shares	Dollars	Avg Price
December 31, 2017	1,856,107	\$ 15,862,317	\$ 8.55
Q1 2018 Purchases	116,241	2,997,217	25.78
Total Treasury Purchases as of March 31, 2018	1,972,348	18,859,534	9.56
Q2 2018 Purchases	53,221	1,386,556	26.05
Total Treasury Purchases as of June 30, 2018	2,025,569	20,246,090	10.00
Q3 2018 Purchases	-	-	-
Total Treasury Purchases as of September 31, 2018	2,025,569	\$ 20,246,090	\$ 10.00

Remaining Authorized \$ at September 30, 2018

\$ 13,382,763



Thank you!