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

(Mark One)

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

For the quarterly period ended March 31, 2019

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

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 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** ☑

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	CNXN	Nasdaq Global Select Market

The number of shares outstanding of the issuer's common stock as of April 29, 2019 was 26,359,259.

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)

	March 31, 2019	December 31, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 93,470	$ 91,703
Accounts receivable, net	433,948	447,698
Inventories, net	137,665	119,195
Income taxes receivable	—	922
Prepaid expenses and other current assets	7,261	9,661
Total current assets	672,344	669,179
Property and equipment, net	55,438	51,799
Right-of-use assets, net	16,750	—
Goodwill	73,602	73,602
Intangibles assets, net	9,223	9,564
Other assets	1,092	1,211
Total Assets	$ 828,449	$ 805,355
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 204,196	$ 201,640
Accrued payroll	18,066	24,319
Accrued expenses and other liabilities	36,619	33,840
Total current liabilities	258,881	259,799
Deferred income taxes	17,184	17,184
Operating lease liability	13,215	—
Other liabilities	1,577	2,469
Total Liabilities	290,857	279,452
Stockholders' Equity:		
Common stock	288	288
Additional paid-in capital	116,098	115,842
Retained earnings	453,737	441,010
Treasury stock, at cost	(32,531)	(31,237)
Total Stockholders' Equity	537,592	525,903
Total Liabilities and Stockholders' Equity	$ 828,449	$ 805,355

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 March 31, 2019	Three Months Ended March 31, 2018
Net sales	$ 632,921	$ 624,895
Cost of sales	533,574	528,523
Gross profit	99,347	96,372
Selling, general and administrative expenses	81,235	80,900
Restructuring and other charges	703	—
Income from operations	17,409	15,472
Interest income, net	198	116
Income before taxes	17,607	15,588
Income tax provision	(4,880)	(4,288)
Net income	$ 12,727	$ 11,300
Earnings per common share:		
Basic	$ 0.48	$ 0.42
Diluted	$ 0.48	$ 0.42
Shares used in computation of earnings per common share:		
Basic	26,359	26,835
Diluted	26,525	26,916

See notes to unaudited condensed consolidated financial statements.

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Total Stockholders' Equity
	Shares	Amount			Shares	Amount	
For the Three-Month Period Ended March 31, 2018:							
Balance at December 31, 2017	28,709	$ 287	$ 114,154	$ 383,673	(1,856)	$ (15,862)	$ 482,252
Cumulative effect of adoption of ASC 606	—	—	—	1,197	—	—	1,197
Stock-based compensation expense	—	—	207	—	—	—	207
Repurchase of common stock for treasury	—	—	—	—	(116)	(2,997)	(2,997)
Net income	—	—	—	11,300	—	—	11,300
Balance at March 31, 2018	28,709	$ 287	$ 114,361	$ 396,170	(1,972)	$ (18,859)	$ 491,959
For the Three-Month Period Ended March 31, 2019:							
Balance at December 31, 2018	28,787	$ 288	$ 115,842	$ 441,010	(2,391)	$ (31,237)	$ 525,903
Stock-based compensation expense	—	—	269	—	—	—	269
Restricted stock units vested	3	—	—	—	—	—	—
Issuance of common stock under Employee Stock Purchase Plan	—	—	(13)	—	—	—	(13)
Repurchase of common stock for treasury	—	—	—	—	(43)	(1,294)	(1,294)
Net income	—	—	—	12,727	—	—	12,727
Balance at March 31, 2019	28,790	$ 288	$ 116,098	$ 453,737	(2,434)	$ (32,531)	$ 537,592

See notes to unaudited condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(amounts in thousands)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash Flows provided by Operating Activities:		
Net income	$ 12,727	$ 11,300
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,709	3,300
Provision for doubtful accounts	256	417
Stock-based compensation expense	269	207
Deferred income taxes	—	429
Changes in assets and liabilities:		
Accounts receivable	13,494	57,389
Inventories	(18,470)	10,302
Prepaid expenses, income tax receivables and other current assets	3,322	2,721
Other non-current assets	119	(1,880)
Accounts payable	2,121	(42,521)
Accrued expenses and other liabilities	551	(4,420)
Net cash provided by operating activities	18,098	37,244
Cash Flows used in Investing Activities:		
Purchases of equipment	(6,572)	(5,007)
Net cash used in investing activities	(6,572)	(5,007)
Cash Flows used in Financing Activities:		
Proceeds from short-term borrowings	—	859
Purchase of treasury shares	(1,294)	(2,997)
Dividend payment	(8,452)	(9,122)
Issuance of stock under Employee Stock Purchase Plan	(13)	—
Net cash used in financing activities	(9,759)	(11,260)
Increase in cash and cash equivalents	1,767	20,977
Cash and cash equivalents, beginning of period	91,703	49,990
Cash and cash equivalents, end of period	$ 93,470	$ 70,967
Non-cash Investing and Financing Activities:		
Accrued capital expenditures	$ 1,987	$ 1,140
Supplemental Cash Flow Information:		
Income taxes paid	$ 291	$ 320

See notes to unaudited condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
PART I—FINANCIAL INFORMATION
Item 1—Financial Statements
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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 (the "Company," "we," "us," or "our") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting and in accordance with accounting principles generally accepted in the United States of America. Such principles were applied on a basis consistent with the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (the "SEC"), other than the adoption of Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("ASC 842") using a modified retrospective approach as of January 1, 2018, as discussed below. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements contained in our Annual Report on Form 10-K.

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 months ended March 31, 2019 may not be indicative of the results expected for any succeeding quarter or the entire year ending December 31, 2019.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the amounts reported in the accompanying condensed consolidated financial statements. Actual results could differ from those estimates.

Comprehensive Income

We had no items of comprehensive income, other than our net income for each of the periods presented.

Restructuring and other charges

	Three months ended March 31, 2019
Employee separations	$ 553
Lease termination costs	150
Total restructuring and other charges	$ 703

The restructuring and other charges recorded in the first quarter of 2019 were related to a reduction in workforce in our Headquarters/Other group and included cash severance payments and other related benefits. These costs will be paid within a year of termination and are included in accrued expenses at March 31, 2019. Also included were exit costs incurred associated with the closing of one of our office facilities. There were no restructuring and other charges recorded in the first quarter of 2018.

All planned restructuring and other charges were incurred as of March 31, 2019 and we have no ongoing restructuring plans.

Adoption of Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board, or the FASB, issued ASC 842 - *Leases*, which amended the accounting standards for leases. The core principle of the guidance is that an entity should establish a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months.

The Company adopted ASC 842 effective January 1, 2019 using a modified retrospective transition approach to each lease that existed as of the adoption date and any leases entered into after that date. We elected the package of practical expedients which permits us to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification of any expired or existing leases, and (3) any initial direct costs for any existing leases as of the effective date. The Company also elected the hindsight practical expedient, which allows it to use hindsight in determining the lease term. The adoption did not result in a cumulative adjustment to opening equity. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

In assessing the impact of the adoption, the Company elected to apply the short-team lease exception to any leases with contractual obligations of one year or less. These leases will continue to be treated as operating leases in accordance with the new accounting standard. Consequently, the adoption resulted in the capitalization of a number of the Company's office leases, for which it recognized a lease liability of $18,835, which was based on the present value of the future payments for these leases. The Company recorded a corresponding right-of-use asset of $18,723, which was adjusted for $114 of remaining unamortized lease incentives as of December 31, 2018. Only those components that were considered integral to the right to use an underlying asset were considered lease components when determining the amounts to capitalize. In accordance with ASC 842, the discount rates used in the present value calculations for each lease should be the rates implicit in the lease, if readily available. Since none of the lease agreements contain explicit discount rates, the Company utilized estimated rates that it would have incurred to borrow, over a similar term, the funds necessary to purchase the respective leased asset with cash. The remaining contractual term for these leases as of January 1, 2019 ranged from 20 to 197 months. Options to renew were considered in determining the present value of the future lease payments in the event the Company believed it was reasonably certain it will assert its respective options to renew.

The Company leases certain facilities from a related party, which is a company affiliated with us through common ownership. Included in the right-of-use asset as of March 31, 2019 was $5,998 and a corresponding lease liability of $5,675 associated with related party leases.

As of March 31, 2019, the Company had no leases that were classified as financing leases and there were no additional operating or financing leases that have not yet commenced. Refer to the following table for quantitative information related to the Company's leases:

	Three months ended March 31, 2019		
	Related Parties	**Others**	**Total**
Lease Cost			
Capitalized operating lease cost	$ 379	$ 831	$ 1,210
Short-term lease cost	41	2	43
Total lease cost	$ 420	$ 833	$ 1,253
Other Information			
Cash paid for amounts included in the measurement of lease liabilities and capitalized operating leases:			
Operating cash flows	$ 379	$ 884	$ 1,263
Weighted-average remaining lease term (in years):			
Capitalized operating leases	4.59	10.55	8.64
Weighted-average discount rate:			
Capitalized operating leases	3.92%	3.92%	3.92%

As of March 31, 2019, future lease payments over the remaining term of capitalized operating leases were as follows:

For the Years Ended December 31,	Related Parties	Others	Total
2019, excluding the three months ended March 31, 2019	$ 1,137	$ 2,534	$ 3,671
2020	1,385	3,379	4,764
2021	1,253	2,481	3,734
2022	1,253	1,484	2,737
2023	1,149	1,034	2,183
2024	—	1,043	1,043
Thereafter	—	583	583
	$ 6,177	$ 12,538	$ 18,715
Imputed interest			(964)
Lease liability balance at March 31, 2019			$ 17,751

Future aggregate minimum annual lease payments as of December 31, 2018 reported in our 2018 Form 10-K under the previous lease accounting standard were as follows:

For the Years Ended December 31,	Related Parties	Others	Total
2019	$ 1,516	$ 3,519	$ 5,035
2020	1,407	3,386	4,793
2021	1,253	2,466	3,719
2022	1,253	1,490	2,743
2023	1,149	820	1,969
2024 and thereafter	—	1,395	1,395
	$ 6,578	$ 13,076	$ 19,654

As of March 31, 2019, the ROU asset had a net balance of $16,750. The long-term lease liability was $13,215 and the short-term lease liability, which is included in accrued expenses and other liabilities in the consolidated balance sheets, was $4,536.

Recently Issued Financial Accounting Standards

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairments by eliminating step two from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. ASU 2017-04 also clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units related to an entity's testing of reporting units for goodwill impairment and clarifies that an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The new standard is effective for fiscal years beginning January 1, 2020 for both interim and annual reporting periods. The Company expects to adopt this new standard in 2019 when it performs its annual goodwill impairment test in the fourth quarter. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

Note 2–Revenue

We disaggregate revenue from our arrangements with customers by type of products and services, as we believe this method best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

The following tables represent a disaggregation of revenue from arrangements with customers for the three months ended March 31, 2019 and 2018, along with the reportable segment for each category.

	Three Months Ended March 31, 2019			
	Business Solutions	Enterprise Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 80,935	$ 66,565	$ 27,375	$ 174,875
Desktops	26,784	35,969	10,887	73,640
Software	34,688	27,776	9,272	71,736
Servers/Storage	25,717	17,425	12,416	55,558
Net/Com Products	22,239	14,628	10,144	47,011
Displays and Sound	20,332	26,935	9,879	57,146
Accessories	22,053	56,515	9,645	88,213
Other Hardware/Services	20,184	29,822	14,736	64,742
Total net sales	$ 252,932	$ 275,635	$ 104,354	$ 632,921

	Three Months Ended March 31, 2018 (1)			
	Business Solutions	Enterprise Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 71,729	$ 63,438	$ 23,898	$ 159,065
Desktops	28,291	31,226	10,074	69,591
Software	34,424	28,441	6,863	69,728
Servers/Storage	31,501	24,543	17,139	73,183
Net/Com Products	27,026	12,368	12,758	52,152
Displays and Sound	23,310	22,005	9,471	54,786
Accessories	25,017	38,969	9,822	73,808
Other Hardware/Services	21,980	36,254	14,348	72,582
Total net sales	$ 263,278	$ 257,244	$ 104,373	$ 624,895

(1) Product categories were separated into additional categories in 2019. Certain prior-year balances have been classified to conform with the new presentation.

Contract Balances

The following table provides information about contract liability from arrangements with customers as of March 31, 2019 and December 31, 2018.

	March 31, 2019	December 31, 2018
Contract liability, which are included in "Accrued expenses and other liabilities"	$ 4,692	$ 2,679

Changes in the contract liability balances during the three months ended March 31, 2019 are as follows (in thousands):

	Three Months Ended March 31,
Balances at December 31, 2018	$ 2,679
Cash received in advance and not recognized as revenue	4,657
Amounts recognized as revenue as performance obligations satisfied	(2,644)
Balances at March 31, 2019	$ 4,692

Note 3–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:

	Three Months Ended March 31 ,	
	2019	2018
Numerator:		
Net income	$ 12,727	$ 11,300
Denominator:		
Denominator for basic earnings per share	26,359	26,835
Dilutive effect of unvested employee stock awards	166	81
Denominator for diluted earnings per share	26,525	26,916
Earnings per share:		
Basic	$ 0.48	$ 0.42
Diluted	$ 0.48	$ 0.42

For the three months ended March 31, 2019 and 2018, we 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 4–Segment and Related Disclosures

The internal reporting structure used by our chief operating decision maker (“CODM”) to assess performance and allocate resources determines the basis for our reportable operating segments. Our CODM is our Chief Executive Officer, and he evaluates operations and allocates resources based on a measure of operating income.

Our operations are organized under three reportable segments—the Business Solutions segment, which serves primarily small- and medium-sized businesses; the Enterprise Solutions segment, which serves primarily medium-to-large corporations; and the Public Sector Solutions segment, which serves primarily federal, state, and local governmental and educational institutions. In addition, the Headquarters/Other group provides services in areas such as finance, human resources, information technology, marketing, and product management. Most of the operating costs associated with the Headquarters/Other group functions are charged to the operating segments based on their estimated usage of the underlying functions. We report these charges to the operating segments as “Allocations.” Certain headquarters costs relating to executive oversight and other fiduciary functions that are not allocated to the operating segments are included under the heading of Headquarters/Other in the tables below.

Segment information applicable to our reportable operating segments for the three months ended March 31, 2019 and 2018 is shown below:

	Three Months Ended March 31 ,	
	2019	2018
Net sales:		
Business Solutions	$ 252,932	$ 263,278
Enterprise Solutions	275,635	257,244
Public Sector Solutions	104,354	104,373
Total net sales	$ 632,921	$ 624,895
Operating income (loss):		
Business Solutions	$ 8,765	$ 9,482
Enterprise Solutions	15,473	12,678
Public Sector Solutions	(3,066)	(3,125)
Headquarters/Other	(3,763)	(3,563)
Total operating income	17,409	15,472
Interest income, net	198	116
Income before taxes	$ 17,607	$ 15,588
Selected operating expense:		
Depreciation and amortization:		
Business Solutions	$ 150	$ 174
Enterprise Solutions	639	482
Public Sector Solutions	21	34
Headquarters/Other	2,899	2,610
Total depreciation and amortization	$ 3,709	$ 3,300
Total assets:		
Business Solutions	$ 280,889	$ 255,230
Enterprise Solutions	484,497	406,303
Public Sector Solutions	55,536	52,709
Headquarters/Other	7,527	(10,672)
Total assets	$ 828,449	$ 703,570

The assets of our three operating segments presented above consist primarily of accounts receivable, net intercompany receivable, goodwill, and other intangibles. Assets reported under the Headquarters/Other group are managed by corporate headquarters, including cash, inventory, property and equipment, right-of-use assets, and intercompany balance, net. As of March 31, 2019 and 2018, total assets for the Headquarters/Other group are presented net of intercompany balance eliminations of $11,201 and $10,431, respectively. Our capital expenditures consist largely of IT hardware and software purchased to maintain or upgrade our management information systems. These information systems serve all of our segments, to varying degrees, and accordingly, our CODM does not evaluate capital expenditures on a segment basis.

Note 5–Commitments and Contingencies

We are subject to various legal proceedings and claims, including patent infringement claims, which have arisen during the ordinary course of business. In the opinion of management, the outcome of such matters is not expected to have a material effect on our financial position, results of operations, and/or cash flows.

We are 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, and such outcomes could have a material, negative impact on our financial position, results of operations, and/or cash flows.

Note 6–Bank Credit Facility

We have a $50,000 credit facility collateralized by our account receivables that expires February 10, 2022. This facility can be increased, at our option, to $80,000 for permitted acquisitions or other uses authorized by the lender on substantially the same terms. Amounts outstanding under this facility bear interest at the one-month London Interbank

Offered Rate (“LIBOR”) (2.49% at March 31, 2019) , plus a spread based on our funded debt ratio, or in the absence of LIBOR, the prime rate (5.50% at March 31, 2019). The credit facility includes various customary financial ratios and operating covenants, including minimum net worth and maximum funded debt ratio requirements, and default acceleration provisions. The credit facility does not include restrictions on future dividend payments. Funded debt ratio is the ratio of average outstanding advances under the credit facility to Adjusted EBITDA (Earnings Before Interest Expense, Taxes, Depreciation, Amortization, and Special Charges). The maximum allowable funded debt ratio under the agreement is 2.0 to 1.0. Decreases in our consolidated Adjusted EBITDA could limit our potential borrowing capacity under the credit facility. We had no outstanding bank borrowings at March 31, 2019 or 2018, and accordingly, the entire $50,000 facility was available for borrowings under the credit facility.

PC CONNECTION, INC. AND SUBSIDIARIES
PART I—FINANCIAL INFORMATION
Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements contained or incorporated by reference in this Quarterly Report on Form 10-Q that are not based on historical fact are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. These forward-looking statements regarding future events and our future results are based on current expectations, estimates, forecasts, and projections and the beliefs and assumptions of management including, without limitation, our expectations with regard to the industry's rapid technological change and exposure to inventory obsolescence, availability and allocations of goods, reliance on vendor support and relationships, competitive risks, pricing risks, and the overall level of economic activity and the level of business investment in information technology products. Forward-looking statements may be identified by the use of forward-looking terminology such as "may," "could," "expect," "believe," "estimate," "anticipate," "continue," "seek," "plan," "intend," or similar terms, variations of such terms, or the negative of those terms.

We cannot assure investors that our assumptions and expectations will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. We therefore caution you against undue reliance on any of these forward-looking statements. Important factors that could cause our actual results to differ materially from those indicated or implied by forward-looking statements include those discussed in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q and in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. Any forward-looking statement made by us in this Quarterly Report on Form 10-Q speaks only as of the date on which this Quarterly Report on Form 10-Q was first filed. We undertake no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by law.

OVERVIEW

We are a leading solutions provider of a wide range of information technology, or IT, solutions. We help our customers design, enable, manage, and service their IT environments. We provide IT products, including computer systems, software and peripheral equipment, networking communications, and other products and accessories that we purchase from manufacturers, distributors, and other suppliers. We also offer services involving design, configuration, and implementation of IT solutions. These services are performed by our personnel and by first-party service providers. We operate through three sales segments: (a) the Business Solutions segment, which serves small- to medium-sized businesses, through our PC Connection Sales subsidiary, (b) the Enterprise Solutions segment, which serves large enterprise customers, through our MoreDirect subsidiary, and (c) the Public Sector segment, which serves federal, state, and local governmental and educational institutions, through our GovConnection subsidiary.

We generate sales through (i) outbound telemarketing and field sales contacts by sales representatives focused on the business, educational, healthcare, and government markets, (ii) our websites, and (iii) direct responses from customers responding to our advertising media. We seek to recruit, retain, and increase the productivity of our sales personnel through training, mentoring, financial incentives based on performance, and updating and streamlining our information systems to make our operations more efficient.

As a value-added reseller in the IT supply chain, we do not manufacture IT hardware or software. We are dependent on our suppliers—manufacturers and distributors that historically have sold only to resellers rather than directly to end users. However, certain manufacturers have, on multiple occasions, 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 eliminate our role. We believe that the success of these direct sales efforts by suppliers will depend on their ability to meet our customers' ongoing demands and provide objective, unbiased solutions to meet their needs. We believe more of our customers are seeking comprehensive IT solutions, rather than simply the acquisition of specific IT products. Our advantage is our ability to be product-neutral and provide a broader combination of products, services, and advice tailored to customer 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 Technical Solutions Group, 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 improve gross margins in this competitive environment.

The primary challenges we continue to face in effectively managing our business are (1) increasing our 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 are expanding 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 service engineers. If our service revenues do not grow enough to offset the cost of these headcount additions, our operating results may decline.

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 development 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. In October 2017, we began a two-year initiative to upgrade our IT infrastructure for which we expect our related capital investments to range from $3.0 to $4.0 million over the next three to six months, when we expect to have completed the initiative.

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:

	Three Months Ended March 31,	
	2019	**2018**
Net sales (in millions)	$ 632.9	$ 624.9
Gross margin	15.7 %	15.4 %
Selling, general and administrative expenses	12.8 %	12.9 %
Income from operations	2.8 %	2.5 %

Net sales of $632.9 million for the first quarter of 2019 reflected an increase of $8.0 million compared to the first quarter of 2018, which was driven primarily by growth in our Enterprise Solutions selling segment. Our investments in advance solution sales led to increased sales of mobility and software products, though we experienced downward pressure on net sales growth because a greater portion of our software sales were recognized on a net basis in the current quarter. Gross profit dollars increased year-over-year by $3.0 million due to higher invoice selling margins realized on advanced solution sales and increased sales of software products. SG&A expenses increased by $0.3 million, but decreased as a percentage of net sales. Operating income in the first quarter of 2019 increased year-over-year both in dollars and as a percentage of net sales by $1.9 million and 30 basis points, respectively, primarily as a result of increased net sales and lower SG&A expenses as a percentage of net sales.

Net Sales Distribution

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018 (1)
Sales Segment		
Enterprise Solutions	44 %	41 %
Business Solutions	40	42
Public Sector Solutions	16	17
Total	100 %	100 %
Product Mix		
Notebooks/Mobility	28 %	26 %
Desktops	12	11
Software	11	11
Servers/Storage	9	12
Net/Com Products	7	8
Displays and Sound	9	9
Accessories	14	12
Other Hardware/Services	10	11
Total	100 %	100 %

(1) Product categories were separated into additional categories in 2019. Certain prior-year balances have been classified to conform with the new presentation.

Gross Profit Margin

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Sales Segment		
Enterprise Solutions	14.9 %	14.3 %
Business Solutions	17.8	17.6
Public Sector Solutions	12.6	12.9
Total	15.7 %	15.4 %

Operating Expenses

The following table reflects our SG&A expenses for the periods indicated:

($ in millions)	Three Months Ended March 31, 2019	2018
Personnel costs	$ 61.0	$ 62.7
Advertising	4.6	3.8
Facilities operations	4.8	4.1
Professional fees	2.5	2.4
Credit card fees	1.5	1.7
Depreciation and amortization	3.7	3.3
Other	3.1	2.9
Total SG&A expense	$ 81.2	$ 80.9
Percentage of net sales	12.8 %	12.9 %

Restructuring and other charges

In the first quarter of 2019, we undertook a number of actions at our Headquarters/Other group to lower our cost structure and align our business in an effort to improve our ability to execute our strategy. In connection with these restructuring initiatives, we incurred restructuring and related costs of $0.7 million in the first quarter of 2019. There were no restructuring and other charges recorded in the first quarter of 2018.

Year-Over-Year Comparisons

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

Changes in net sales and gross profit by segment are shown in the following table:

	Three Months Ended March 31, 2019		2018		
($ in millions)	Amount	% of Net Sales	Amount	% of Net Sales	% Change
Sales:					
Enterprise Solutions	$ 275.6	43.5 %	$ 257.2	41.2 %	7.2 %
Business Solutions	252.9	40.0	263.3	42.1	(3.9)
Public Sector Solutions	104.4	16.5	104.4	16.7	—
Total	$ 632.9	100.0 %	$ 624.9	100.0 %	1.3 %
Gross Profit:					
Enterprise Solutions	$ 41.2	14.9 %	$ 36.7	14.3 %	12.3 %
Business Solutions	45.0	17.8	46.2	17.6	(2.6)
Public Sector Solutions	13.1	12.5	13.5	12.9	(3.0)
Total	$ 99.3	15.7 %	$ 96.4	15.4 %	3.0 %

Net sales increased in the first quarter of 2019 compared to the first quarter of 2018, as explained below:

- Net sales of $275.6 million for the Enterprise Solutions segment reflect an increase of $18.4 million year-over-year due to increases in net sales of mobility products, desktop products, and other accessories of $3.1 million, $4.7 million, and $17.5 million, respectively. The growth was partially offset by a decrease in net sales of server/storage products of $7.1 million. These fluxes were primarily driven by the timing of large product rollouts.

- Net sales of $252.9 million for the Business Solutions segment reflect a decrease of $10.4 million. Net sales were negatively impacted by a higher percentage of our software sales recognized on a net basis in the current period in transactions where we are considered to be the agent. Though we experienced strong growth in cloudbased and security software sales, revenues from these products are recognized on a net basis, resulting in a smaller contribution to net sales.

- Net sales of $104.4 million for the Public Sector Solutions were relatively flat compared with the same period a year ago. Net sales of notebooks/mobility, software, and desktop products grew $3.5 million, $2.4 million, and $0.8 million, respectively. These increases in the current period were offset by lower net sales of server/storage and net/com products of $4.7 million and $2.6 million, respectively.

Gross profit for the first quarter of 2019 increased year-over-year in dollars and as a percentage of net sales (gross margin), as explained below:

- Gross profit for the Enterprise Solutions segment increased primarily due to higher invoice selling margins of 82 basis points driven primarily by an increase in software sales reported on a net basis. This increase was partially offset by a decrease in agency fees of 3 basis points.

- Gross profit for the Business Solutions segment decreased primarily as a result of lower net sales and a shift in product mix in the current period. The decrease was partially offset by higher invoice selling margins of 16 basis points driven primarily by an increase in software sales reported on a net basis. We also receive agency fees from vendors for certain software and hardware sales. Agency fees are recorded as revenue with no corresponding cost of goods sold, and accordingly such fees have a positive impact on gross margin. Agency fees from enterprise software agreements increased year-over-year by $0.7 million, or 32 basis points.

- Gross profit for the Public Sector Solutions segment decreased slightly in conjunction with flat net sales. Invoice selling margins decreased by 27 basis points due to a shift in both client and product mix, which included increased sales of lower-margin products.

Selling, general and administrative expenses increased in dollars, but decreased as a percentage of net sales in the first quarter of 2019 compared to the prior year quarter. SG&A expenses attributable to our three segments and the remaining unallocated Headquarters/Other group expenses are summarized in the table below:

	Three Months Ended March 31,				
	2019		2018		
($ in millions)	Amount	% of Segment Net Sales	Amount	% of Segment Net Sales	% Change
Enterprise Solutions	$ 25.7	9.3 %	$ 24.0	9.3 %	7.1 %
Business Solutions	36.2	14.3	36.8	14.0	(1.6)
Public Sector Solutions	16.2	15.5	16.6	15.9	(2.4)
Headquarters/Other, unallocated	3.1		3.5		(11.4)
Total	$ 81.2	12.8 %	$ 80.9	12.9 %	0.4 %

- SG&A expenses for the Enterprise Solutions segment increased in dollars and remained flat as a percentage of net sales. The year-over-year increase in SG&A dollars was primarily due to an increase of $0.6 million of incremental personnel costs, including variable compensation associated with higher gross profit, an increase of $0.3 million in advertising expenses, and a $0.6 million increase in the usage of Headquarters services. SG&A expenses as a percentage of net sales was 9.3% for the Enterprise Solutions segment in the first quarter of 2019 and 2018.

- SG&A expenses for the Business Solutions segment decreased in dollars, but increased as a percentage of net sales. The year-over year decrease in SG&A dollars was primarily driven by a $1.5 million decrease in personnel costs, and was partially offset by an increase in usage of Headquarter services of $0.8 million. SG&A expenses as a percentage of net sales was 14.3% for the Business Solutions segment, which reflects an increase of 30 basis points resulting primarily from the lower net sales reported in Q1 2019.

- SG&A expenses for the Public Sector Solutions segment decreased both in dollars and as a percentage of net sales. The year-over-year decrease in SG&A dollars was primarily driven by a $0.3 million decrease in personnel expenses, including variable compensation, and $0.1 million of decreased professional fees. SG&A

expenses as a percentage of net sales was 15.5% for the Public Sector segment, which reflects a decrease of 40 basis points compared to the prior period, resulting from flat net sales and lower SG&A expenses in the current period.

- SG&A expenses for the Headquarters/Other group decreased due to a decrease in unallocated executive oversight costs. The Headquarters/Other group provides services to the three segments in areas such as finance, human resources, IT, marketing, and product management. Most of the operating costs associated with such corporate Headquarters services are charged to the segments based on their estimated usage of the underlying services. The amounts shown above represent the remaining unallocated costs.

Restructuring and other charges incurred in the first quarter of 2019 were $0.7 million related to a reduction in workforce in our Headquarters/Other group, and included cash severance payments and other related benefits. Also included were costs incurred related to the closing of one of our office facilities. There were no such charges incurred in the first quarter of 2018.

Income from operations for the first quarter of 2019 increased to $17.4 million, compared to $15.5 million for the first quarter of 2018, primarily due to the increase in net sales year-over-year. Income from operations as a percentage of net sales was 2.8% for the first quarter of 2019, compared to 2.5% of net sales for the prior year quarter, primarily as a result of the growth rate in net sales exceeding the growth rate in SG&A expenses.

Our effective tax rate was 27.7% for the first quarter of 2019, compared to 27.5% for the first quarter of 2018. We expect our corporate income tax rate for 2019 to range from 27% to 29% and to vary based on fluctuations in state tax levels for certain subsidiaries, valuation reserves, and accounting for uncertain tax positions.

Net income for the first quarter of 2019 increased to $12.7 million, compared to $11.3 million for the first quarter of 2018, primarily due to higher gross profit and operating expense management in the first quarter of 2019, as compared to the first quarter of 2018.

Liquidity and Capital Resources

Our primary sources of liquidity have historically been internally generated funds from operations and borrowings under our bank line of credit. We have used 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, special dividend payments, repurchases of common stock for treasury, and as opportunities arise, acquisitions of businesses.

We believe that funds generated from operations, together with available credit under our bank line of credit, will be sufficient to finance our working capital, capital expenditures, and other requirements for at least the next twelve calendar months. Our investments in IT systems and infrastructure are designed to enable us to operate more efficiently and to provide our customers enhanced functionality. In October 2017, we began a two-year initiative to upgrade our IT infrastructure, and we expect the remaining capital investments related to this project to range from $3.0 to $4.0 million over the three to six months, when we expect to have completed the initiative.

We expect to meet our cash requirements for the next twelve months through a combination of cash on hand, cash generated from operations, and borrowings under our bank line of credit, as follows:

- *Cash on Hand*. At March 31, 2019, we had $93.5 million in cash and cash equivalents.
- *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 a positive cash flow.
- *Credit Facilities.* As of March 31, 2019, we had no borrowings under our $50.0 million bank line of credit, which is available until February 10, 2022. This line of credit can be increased, at our option, to $80.0 million for approved acquisitions or other uses authorized by the bank. Borrowings are, however, limited by certain minimum collateral and earnings requirements, as described more fully below.

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, our cash flows from operations may be substantially affected. See also related risks listed below under "Item 1A. "Risk Factors."

Summary of Sources and Uses of Cash

The following table summarizes our sources and uses of cash over the periods indicated:

($ in millions)	Three Months Ended 2019	Three Months Ended 2018
Net cash provided by operating activities	$ 18.1	$ 37.2
Net cash used in investing activities	(6.6)	(5.0)
Net cash used in financing activities	(9.7)	(11.2)
Increase in cash and cash equivalents	$ 1.8	$ 21.0

Cash provided by operating activities was $18.1 million in the three months ended March 31, 2019. Cash flow provided by operations in the three months ended March 31, 2019 resulted primarily from net income before depreciation and amortization, a decrease in accounts receivable, an increase accounts payable, and a decrease in prepaid expenses. These factors that contributed to the positive inflow of cash from operating activities were partially offset by an increase in inventory. Accounts receivable decreased by $13.8 million from the prior year-end balance. Days sales outstanding increased to 55 days at March 31, 2019, compared to 53 days at March 31, 2018. Inventory increased from the prior year-end balance by $18.5 million due to higher levels of inventory on-hand related to future backlog and an increase in shipments in transit but not received by our customers as of March 31, 2019 compared to December 31, 2018. Inventory turns decreased to 17 for the first quarter of 2019 compared to 23 turns for the prior year quarter.

Cash used in investing activities in the three months ended March 31, 2019 represented $6.6 million of purchases of property and equipment. These expenditures were primarily for computer equipment and capitalized internally-developed software in connection with investments in our IT infrastructure, compared to $5.0 million of purchases of property and equipment in the prior year.

Cash used in financing activities in the three months ended March 31, 2019 consisted primarily of a $8.5 million payment of a special $0.32 per share dividend and $1.3 million for the purchase of treasury shares. Whereas in the prior year period, financing activities primarily represented a $9.1 million payment of a special $0.34 per share dividend and $3.0 million for the purchase of treasury shares, partially offset by $0.9 million of proceeds from short-term borrowings.

Debt Instruments, Contractual Agreements, and Related Covenants

Below is a summary of certain provisions of our credit facilities and other contractual obligations. For more information about the restrictive covenants in our debt instruments and inventory financing agreements, see "Factors Affecting Sources of Liquidity" below. For more information about our obligations, commitments, and contingencies, see our condensed consolidated financial statements and the accompanying notes included in this Quarterly Report.

Credit Facility. Our bank line of credit extends until February 2022 and is collateralized by our accounts receivable. Our borrowing capacity is up to $50.0 million. Amounts outstanding under the facility bear interest at the one-month London Interbank Offered Rate, or LIBOR, plus a spread based on our funded debt ratio, or in the absence of LIBOR, the prime rate (5.50% at March 31, 2019). The one-month LIBOR rate at March 31, 2019 was 2.49%. In addition, we have the option to increase the facility by an additional $30.0 million to meet additional borrowing requirements. Our credit facility is subject to certain covenant requirements which are described below under "Factors Affecting Sources of Liquidity." At March 31, 2019, $50.0 million was available for borrowing under the facility.

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

Operating Leases. We lease facilities from our principal stockholders and facilities and equipment from third parties under non-cancelable operating leases. On January 1, 2019, we adopted ASC 842, which replaces existing lease accounting rules with a requirement to establish a right-of-use (ROU) asset model. As a result of the adoption, we recorded a ROU asset and a lease liability on the balance sheet for leases with terms longer than twelve months as of the date of transition. Refer to the *Adoption of Recently Issued Accounting Standards* section within Note 1 to the consolidated financial statements for more information.

Off-Balance Sheet Arrangements. We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues and expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

Contractual Obligations. The disclosures relating to our contractual obligations in our Annual Report on Form 10-K for the year ended December 31, 2018 have not materially changed since the report was filed.

Factors Affecting Sources of Liquidity

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

Credit Facility. Our credit facility contains certain financial ratios and operational covenants and other restrictions (including restrictions on additional debt, guarantees, and other distributions, investments, and liens) with which we and all of our subsidiaries must comply. Our credit facility does not include restrictions on future dividend payments. Any failure to comply with the covenants and other restrictions would constitute a default and could prevent us from borrowing additional funds under this line of credit. This credit facility contains two financial covenants:

- Our funded debt ratio (defined as the average outstanding advances under the line for the quarter, divided by our consolidated Adjusted EBITDA—earnings before interest expense, taxes, depreciation, amortization, and special charges—for the trailing four quarters) must not be more than 2.0 to 1.0. Our outstanding borrowings under the credit facility during the first quarter of 2019 were zero, and accordingly, the funded debt ratio did not limit potential borrowings as of March 31, 2019. Future decreases in our consolidated Adjusted EBITDA, could limit our potential borrowings under the credit facility.
- Our minimum consolidated net worth (defined as our consolidated total assets less our consolidated total liabilities) must be at least $346.7 million, plus 50% of consolidated net income for each quarter, beginning with the quarter ended December 31, 2016 (loss quarters not counted). Such amount was calculated as $419.3 million at March 31, 2019, whereas our consolidated stockholders’ equity at that date was $537.6 million.

Capital Markets. Our ability to raise additional funds in the capital market depends upon, among other things, general economic conditions, the condition of the information technology industry, our financial performance and stock price, and the state of the capital markets.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting policies have not materially changed from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2018.

RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

Recently issued financial accounting standards are detailed in Note 1, “Summary of Significant Accounting Policies,” in the Notes to the Unaudited Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

PC CONNECTION, INC. AND SUBSIDIARIES
PART I—FINANCIAL INFORMATION
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 fiscal year ended December 31, 2018. No material changes have occurred in our market risks since December 31, 2018.

PC CONNECTION, INC. AND SUBSIDIARIES
PART I—FINANCIAL INFORMATION
Item 4 - CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the 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. 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, the 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

Except as noted below, there was no change 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 March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

During the quarter ended March 31, 2019, we changed existing controls to ensure we adequately implemented the new accounting standard related to lease accounting effective January 1, 2019. The modified and new controls were designed to ensure we sufficiently evaluated our lease contracts and properly assessed the impact of the new accounting standard on our financial statements and related disclosures.

PART II - OTHER INFORMATION

Item 1A - Risk Factors

In addition to other information set forth in this report, you should carefully consider the factors discussed in Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial position, and results of operations. We did not identify any additional risks in the current period that are not included in our Annual Report. 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 public filings with the SEC, and those incorporated by reference in Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth certain information with respect to repurchases of our common stock during the three months ended March 31, 2019.

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)(2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (in thousands)
January 1 - January 31, 2019	42,537	$ 30.44	42,537	$ 26,098
February 1 - February 28, 2019	—	$ —	—	$ 26,098
March 1 - March 31, 2019	—	$ —	—	$ 26,098
Total	42,537	$ 30.44	42,537	

(1) In December 2018, our Board of Directors announced a new share repurchase program of our common stock authorizing up to an additional $25 million in share repurchases to be added to our existing publicly-announced share repurchase programs. Prior to that, our Board had previously authorized the spending of up to $30.0 million in aggregate, under which the remaining authorized amount is approximately $1.0 million. Purchases may be made in open-market transactions, block transactions on or off an exchange, or in privately negotiated transactions.

(2) We have repurchased approximately 2.3 million shares of our common stock for approximately $29 million pursuant to Board-approved programs.

Item 6 - Exhibits

Exhibit Number		Description
10.1	*	Employment Agreement, dated March 1, 2019, between the Registrant and Thomas Baker.
10.2	*	Letter Agreement, dated February 28, 2019, between the Registrant and Stephen Sarno.
31.1	*	Certification of the Company's President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	*	Certification of the Company's Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	*	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.
32.2	*	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.
101.INS	**	XBRL Instance Document.
101.SCH	**	XBRL Taxonomy Extension Schema Document.
101.CAL	**	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	**	XBRL Taxonomy Label Linkbase Document.
101.PRE	**	XBRL Taxonomy Presentation Linkbase Document.

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* Filed herewith.
** 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 March 31, 2019 and December 31, 2018, (ii) Condensed Consolidated Statements of Income for the three months ended March 31, 2019 and March 31, 2018, (iii) Condensed Consolidated Statements of Stockholders' Equity at March 31, 2019 and December 31, 2018, (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and March 31, 2018, and (v) 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:	May 2, 2019	By:	/s/ TIMOTHY J. MCGRATH Timothy J. McGrath President and Chief Executive Officer (Duly Authorized Officer)
Date:	May 2, 2019	By:	/s/ THOMAS BAKER Thomas Baker Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

March 1, 2019

Thomas Baker
[redacted]

Dear Tom,

Welcome to Connection! We are pleased to confirm our offer of employment to join our Company as Chief Financial Officer working out of our Merrimack, NH facility beginning on March 1. You will report to Tim McGrath, President and Chief Executive Officer.

Your starting weekly base salary will be $14,423.077 per bi-weekly pay period or $375,000 if annualized, based on a scheduled 40 hour work week. In addition, you will be eligible to participate in the 2019 executive bonus program with an incentive target of 100% of your base salary which will be prorated to your hire date. Bonus payouts are determined in Quarter one of the following year and payable by mid-March of 2020.

In anticipation of your contributions to the continued growth and success of the company and your senior managerial role, the Company intends to provide you with twenty thousand (20,000) Restricted Stock Units, which will vest over four years in increments of 25%, beginning one year after the grant date. This grant will be given to you on or about the day of the first meeting of the Board of Directors following your employment start date, and will be issued under the Company's Amended and Restated 2007 Stock Incentive Plan.

In the event the company terminates your employment for any reason other than cause, death or disability, you will receive severance pay at the base salary level then applicable to you, for up to 6 months or until you find subsequent employment, whichever is earlier. Payment of severance is subject to you signing the company's standard separation agreement and release of claims.
Cause shall include, without limitation, failure to comply with rules, standards, or procedures promulgated by the company; neglect of or substandard performance of your assigned responsibilities; breach of the terms of the Employment Agreement; falsification of company records or documents; or any act of dishonesty or moral turpitude. A reorganization or modification of your duties would not constitute termination.

Orientation
You will attend New Employee Orientation on Monday, March 4, 2019 at the Merrimack, NH facility. Stay tuned for more detail.

Benefits
You will also be eligible to participate in our group insurance programs which include medical, dental, life, and disability income insurance, and in the company's 401(k) and profit sharing plans, all as described on the enclosed documentation.

Pre-Employment Obligations
You hereby represent and warrant to Connection, Inc. that your employment with Connection, Inc. will not breach or be in conflict with any other agreement to which you are a party or are bound, and that you will not violate any restrictive covenants or other duties owed to third parties during your employment with Connection, Inc. You expressly agree that you will abide by all applicable provisions of any employment related agreement with your current employer and that under no circumstances will you use or disclose any confidential information or materials belonging to those entities during the course of your employment with Connection, Inc. You further covenant that you have not taken, copied, forwarded to third parties, or otherwise misappropriated any documents or materials belonging to any former employer. Your strict adherence to all of the foregoing covenants shall be an express condition of your continuing employment with Connection, Inc.

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Employment Agreement
As a condition of your employment, Connection, Inc. requires that you agree to the terms of its Employee Agreement. A copy of the Employee Agreement is attached for your signature. You will be considered an "employee-at-will" and nothing in this letter, or any other Connection, Inc. document, is intended to create an employment contract, unless it explicitly states to the contrary. In addition, please note that all insurance plans and policies and company procedures are subject to change, without notice.

I-9 Employment Eligibility Verification
Please review the Immigration Reform and Control Act (IRCA) information and be prepared to present the requested documentation to the HR department on your first day of employment with Connection. Federal law requires all employers to verify the identity and employment eligibility of all persons hired to work in the United States. Connection, Inc. provides the Social Security Administration and, if necessary, the Department of Homeland Security with information from each new employee's Form I-9 to confirm work authorization. Please visit the following link after you have returned a signed copy of your offer letter to complete your eI-9 Compliance Screening: https://www.pcconnection.com/ei9. This should be completed prior to your first day of employment with Connection.

Connection is an organization that has already built an outstanding reputation for excitement, innovation and quality. Tom, we truly are excited about you helping us improve several Operational areas of our business. We are confident you will bring much value and expertise to Connection. We look forward to your acceptance of our offer and becoming part of the team!

Sincerely,

Tim McGrath
President and CEO

Enclosures: Employee Agreement
Benefit Summary
2019 Executive Bonus Plan
IRCA List of Acceptable Documents

If you elect to accept this offer, please sign the letter and return it with all of the attachments to Richard Saporito, Sr. Vice President of Human Resources.

Offer Accepted:

Signature	3/4/19 Date	3/1/19 Start Date

CC: Tim McGrath, Debra Paul, Richard Saporito,

BY HAND DELIVERY (REVISION SENT ELECTRONICALLY)

PERSONAL AND CONFIDENTIAL

February 28, 2019

Mr. Stephen Sarno
[redacted]

Re. Separation from Employment and Offer of Severance

Dear Stephen:

I am writing to you concerning your employment with Connection and to confirm our agreement to part ways amicably and respectfully at this time. As provided in your offer letter, we are offering you a substantial severance package to help you in your transition to new employment. Please read this letter agreement, which includes a general release, carefully. If you are willing to agree to its terms, please sign in the space provided below and return it to me within 21 days so that the severance benefits outlined below can begin. If you do not sign and return this severance offer letter within 21 days, the offer of severance and other benefits contained in this letter will be withdrawn.

1. Regardless of whether you choose to sign this agreement or not, your employment with Connection will end effective March 1, 2019 (the "Separation Date"). You will receive all accrued and unused vacation time. If you choose to sign this letter agreement, your separation may be treated as a resignation, under the terms set forth below, if that is your wish. Otherwise, it will be treated as a separation due to management differences.

2. If you choose to sign this letter agreement, the Company will pay you severance compensation, at your current level of base salary, less all applicable deductions for federal, state, and local taxes, social security, wage withholding, and other taxes, for a period of 1 year (52 weeks) from the Separation Date, or until you find subsequent employment, whichever is earlier (the "Separation Payments"). The Separation Payments will be paid in accordance with the Company's bi-weekly payroll schedule. After you sign and return this agreement, the Separation Payments will begin after the 7 day revocation period (discussed below) and on the first regular pay date provided that we have received this letter agreement and release in sufficient time to process the first payment on that date. If we are unable to process the first payment on that date in accordance with the regularly scheduled payroll run, you will receive the first separation payment with the next regularly scheduled pay date.

3. Notwithstanding the provision in Paragraph 2 that your severance payments will end if you find subsequent employment, the Company will allow you to provide consulting services during the severance

period, provided that such services do not violate any other provision of this agreement or your Employee Agreement. Any compensation you receive for such consulting services will offset the severance provided to you on a dollar for dollar basis. You will need to obtain advanced approval from myself prior to engaging in any consulting assignment. Upon approval each month, you will be required to provide the Company with a verified report on the hours worked for and the compensation received by you as a result of your consulting work. The Company will then adjust your severance payments accordingly. Failure to provide such reports, or falsification of such reports, will be the basis for the Company to cease all severance payments otherwise owed to you under this Agreement. In addition to the Separation Payments, Connection also will not contest any application for unemployment benefits that you may wish to make, whether or not you choose to have your separation characterized as a resignation or a departure due to management differences. Finally, the Company will provide you with outplacement assistance, the payment for which will be made directly to the third-party provider.

4. You will be eligible to continue your group health insurance benefits at your own expense through COBRA. If you elect to continue your medical, dental and/or vision coverage through COBRA and enroll in this coverage during your COBRA election period, the Company shall reimburse you, a pre-tax cash payment equal to 75% of the cost COBRA coverage (including coverage for enrolled eligible dependents, if applicable) during the period that you are enrolled in COBRA and receiving severance compensation or, if earlier, until the date you become eligible for health care benefits with a new employer. To be eligible for the cash payment, you must be enrolled and premiums timely paid for the Company COBRA benefits. You also agree to notify the Company promptly should you become eligible for medical coverage with a new employer. After the Separation Payment and COBRA subsidy period ends, you may have the right to continue your group health insurance benefits solely at your own expense, in accordance with the provisions of federal law ("COBRA"). Your participation and eligibility for further benefits under any other employee benefit plan offered by Connection will cease as of your Separation Date, in accordance with the terms of the applicable plan documents.

5. It is customary practice that a separation agreement should contain a release provision. Therefore, in consideration of the Separation Payments and other benefits being offered to you above, as well as the promises contained in this letter agreement, you voluntarily and of your own free will agree to release and forever discharge PC Connection, Inc., d/b/a Connection, its affiliated entities, officers, directors, trustees, representatives, insurers and employees (collectively the "Releasees") from any claims you have or may have against the Releasees up through the date you sign this agreement, including, but not limited to, any claims arising under the Civil Rights Act of 1964, 42 U.S.C. §2000e et seq., the National Labor Relations Act, 29 U.S.C. §151 et seq., the Fair Labor Standards Act, 29 U.S.C. §201, et seq., the Employee Retirement Income Security Act of 1974, 29 U.S.C. §1001 et seq., the Civil Rights Act of 1866, 42 U.S.C. §1981 et seq., the Rehabilitation Act of 1973, 29 U.S.C. §701 et seq., the Equal Pay Act of 1963, 29 U.S.C. §206(d), the Civil Rights Act of 1991, the Americans with Disabilities Act, 42 U.S.C. §12101 et seq., the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. § 621 et seq., as well as all statutory and common law claims arising under the laws of the State of New Hampshire and of any other state in which you provided services to the Company during your employment, as well as any other federal, state, or local human or civil rights, wage-hour, pension or labor law, rule and/or regulation, or

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public policy, any claim for breach of contract, contract or tort laws, rules and/or regulations, or any claim arising under common law, such as claims for malicious prosecution, defamation, false imprisonment, libel, slander, invasion of privacy, negligence, interference with advantageous relations, infliction of emotional distress, or otherwise.

6. You understand and agree that you would not receive the additional separation pay and continuation of health benefits specified above, except for your execution of this letter agreement and general release.

7. You agree that you will not disclose to anyone, either directly or indirectly, any information regarding the existence or substance of this letter agreement and general release, other than to your spouse, accountant or attorney. This includes, but is not limited to, any present or former employees of Connection, business clients, vendors or associates of Connection, and other members of the general public. You further agree that you will not at any time make negative comments about or disparage Connection or its officers and employees. A violation of this paragraph will be deemed a material breach of the agreement, and will entitle Connection to cease any further payments to you under this agreement, as well as to seek the recovery of any amounts already paid to you, as well as any other damages suffered, including reasonable attorney's fees incurred in enforcing this is agreement. Further, to the extent you disclose the terms of this letter agreement and offer to anyone other than your spouse or attorney before signing this agreement, Connection reserves the right to withdraw this offer, in my sole discretion. In return, Connection agrees that it will not make any disparaging remarks to any current or potential vendor, employer, potential employer, client or customer and other members of the general public.

8. By signing this letter, you confirm that you have not filed any claim, charge or action against Connection, unless noted below under your signature. You further affirm that you do not currently suffer from any workplace injuries, and that you have been paid and/or have received all compensation, wages, bonuses, commissions and/or benefits to which you are entitled, and that no other compensation, wages, bonuses, commissions and/or benefits are due to you, except as provided in this Agreement. You further confirm that you have not been denied any leaves of absence to which you may have been entitled under applicable state of federal law. Finally, you confirm that you are not aware of any corporate wrongdoing, unless previously reported to the Company, in writing.

9. By signing this letter, you confirm that you returned to the Company, as of the Separation Date, all Company property, including any vehicles, computers, software, printers and facsimile machines, credit cards, keys, key cards, identification badges, cell phones, pagers, business cards, customer, client or vendor lists and records, policy and procedure manuals, price lists, business contracts, and all other documents, information, equipment and property (of any kind) belonging to the Company. You also certify that you will neither retain nor share with others copies or derivations of any of the foregoing items.

10. As a condition of signing this agreement and agreeing to accept severance benefits, you are acknowledging and recognizing that the Company is the owner of proprietary rights in certain systems, information, records and other tangible and intangible properties that constitute valuable trade secrets of the Company, and that you have been employed in a position in which the Company has a legitimate interest in protecting

such confidential and proprietary information in order to maintain and enhance its competitive position within its industry. Accordingly, you covenant and agree that you have not and will not remove, duplicate, or use on behalf of or disclose, directly or indirectly, to any persons or entities outside the Company, any information, property, trade secrets or other things of value which have not been publicly disclosed, including, but not limited to, products, product specifications, procedures, prices, costs, business affairs, plans, ideas, or past, present or prospective customers, clients or vendors. You further agree that you will zealously preserve all matters falling within the scope of the attorney-client privilege, asserting such privilege wherever applicable and to the fullest extent consistent with law.

11. Federal law requires that we give you up to 21 days to consider the meaning and effect of this letter agreement and general release, although you may sign the agreement sooner, if that is your wish, in which event you will start receiving Separation Payments sooner. You may also wish to consult with an attorney, and acknowledge that you have had the opportunity to do so, and that we are advising you to do so. Federal law also gives you the right to revoke this letter agreement and general release for a period of seven days following the day you sign it. If you choose to revoke this agreement, you must submit your revocation, in writing, to me and state "I hereby revoke my acceptance of the letter agreement and general release", together with your signature and the date. The revocation must be personally delivered to me, or mailed to me at Connection by First Class Mail with a postmark that is within seven days of your execution of the letter agreement and general release. This letter agreement and general release shall not become effective or enforceable until the seven day revocation period has expired.

12. This letter agreement and general release may not be modified, altered or changed in any way except by the written agreement and consent of both you and me, as the authorized representative of Connection.

13. You agree to waive any and all eligibility for and rights to reinstatement or future employment with the Company.

14. If you choose to sign this agreement, Connection agrees that it will provide you with a standard reference in response to any inquiries from future employers. This reference will consist of your positions and dates of employment, and the fact that you resigned from Connection to pursue career opportunities elsewhere. You agree that you will instruct anyone seeking a reference to direct all reference requests to me or to Dick Saporito.

15. It is expressly understood and agreed that this letter agreement does not constitute an admission by either you or Connection that either party has done anything wrong or acted improperly with respect to your employment at Connection.

16. This letter agreement, which includes a general release, represents the complete agreement between you and Connection, and supersedes any prior agreements or understandings between you and Connection except for any agreements you signed governing non-competition, confidential information and trade secrets, which shall remain in full force and effect. You acknowledge and agree that you have not relied

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on any representations, promises or agreement of any kind made to you in connection with your decision to sign this letter agreement and general release, except those stated in this agreement.

I am sorry that your employment with Connection had to end in this fashion. It is my hope, however, that we may move forward in a mutually respectful and dignified way. On behalf of the Company, I also want to wish you the best in your future endeavors.

Sincerely,

Timothy McGrath

Tim McGrath
President and CEO

I hereby acknowledge that I have read this letter agreement and general release, that I have been given a reasonable time of up to 21 days to consider its terms, that I have been advised to consult with counsel of my choosing concerning this agreement, and that I have knowingly and voluntarily agreed to sign this agreement and general release in order to receive the additional separation pay and benefits being offered to me.

Date: 3-21-19

Employee Signature

STEPHEN P. SARNO
Employee Name [printed]

cc. Richard Saporito, Senior Vice President Human Resources

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: May 2, 2019

/s/ TIMOTHY J. MCGRATH
Timothy J. McGrath
President and Chief Executive Officer

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: May 2, 2019

/s/ THOMAS C. BAKER
Thomas C. Baker
Senior Vice President, Chief Financial Officer and Treasurer

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 March 31, 2019 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:

(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: May 2, 2019

/s/ TIMOTHY J. MCGRATH
Timothy J. McGrath
President and Chief Executive Officer

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 March 31, 2019 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:

(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: May 2, 2019

/s/ THOMAS C. BAKER

Thomas C. Baker
Senior Vice President, Chief Financial Officer and Treasurer