

The logo for CNIXN features the letters 'CNIXN' in a bold, white, sans-serif font. The 'X' is formed by two overlapping 'V' shapes. A green triangle points downwards from the top of the 'X', and another green triangle points upwards from the bottom of the 'X'.

CNIXN

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

The logo for Connection features the word 'Connection' in a white, sans-serif font. A blue arc is positioned above the 'o' and 'n' in 'Connection'. The background of the slide is a dark blue with a network of glowing blue lines and triangles, suggesting a digital or data network.

Connection™

Disclosures

Safe Harbor Statement

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

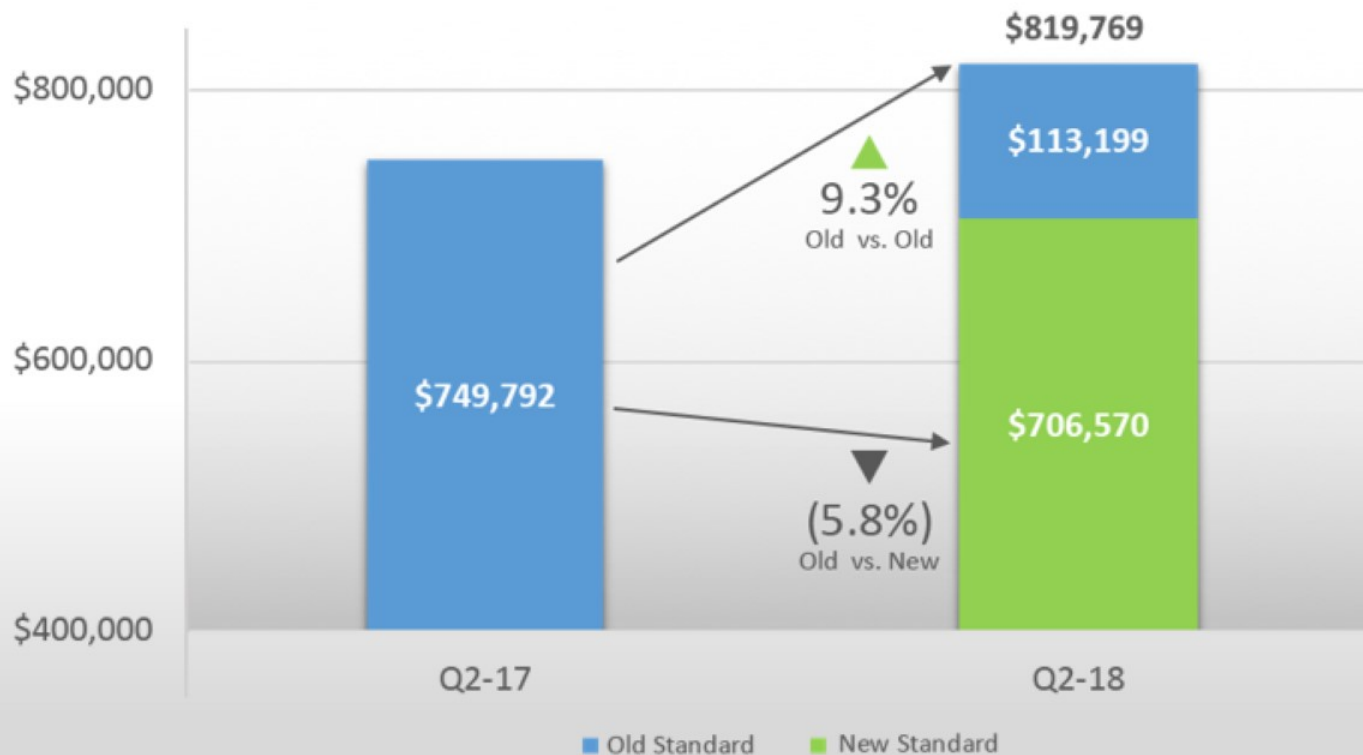
Non-GAAP Financial Information

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

PC Connection, Inc. & Subsidiaries Revenue Growth

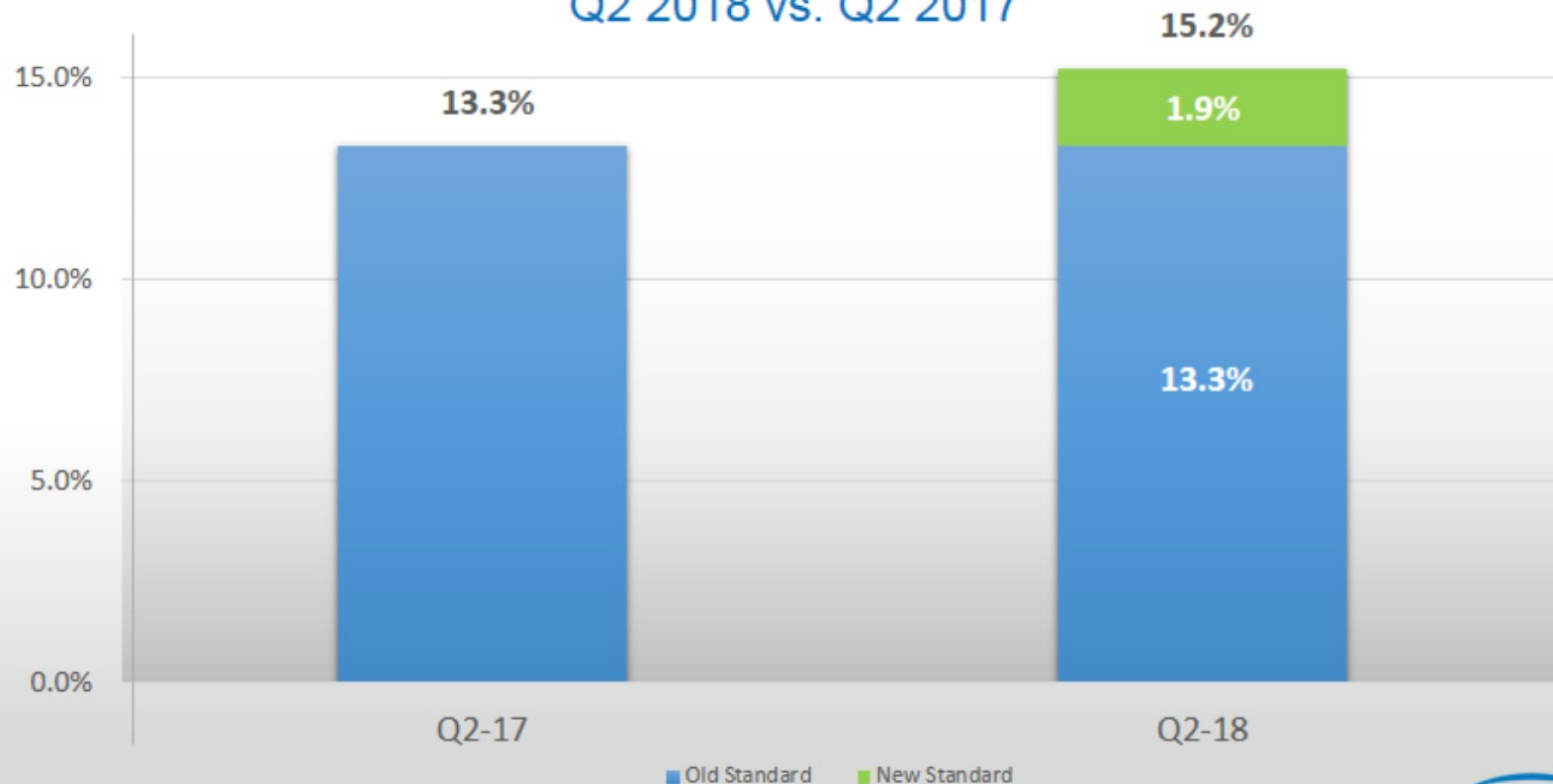
Q2 2018 vs. Q2 2017

(amounts in thousands)



PC Connection, Inc. & Subsidiaries Gross Margin

Q2 2018 vs. Q2 2017



PC Connection, Inc. & Subsidiaries

Business Segments – Sales & Margin

RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT NET SALES

(Unaudited, In thousands)

	Three Months Ended June 30,				Change As Presented		Change Previous Revenue Standard	
	2018		2017		Amount	Percent	Amount	Percent
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard					
Net sales								
Business Solutions	\$ 270,042	\$ 41,260	\$ 311,302	\$ 296,420	\$ (26,378)	(8.9%)	\$ 14,882	5.0%
Enterprise Solutions	301,065	47,977	349,042	302,077	(1,012)	(0.3%)	46,965	15.5%
Public Sector Solutions	135,463	23,962	159,425	151,295	(15,832)	(10.5%)	8,130	5.4%
Total	\$ 706,570	\$ 113,199	\$ 819,769	\$ 749,792	\$ (43,222)	(5.8%)	\$ 69,977	9.3%

RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS PROFITS

(Unaudited, In thousands)

	Three Months Ended June 30,				Change As Presented		Change Previous Revenue Standard	
	2018		2017		Amount	Percent	Amount	Percent
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard					
Gross profits								
Business Solutions	\$ 47,329	\$ 784	\$ 48,113	\$ 46,277	\$ 1,052	2.3%	\$ 1,836	4.0%
Enterprise Solutions	43,256	618	43,874	37,107	6,149	16.6%	6,767	18.2%
Public Sector Solutions	16,883	-	16,883	16,286	597	3.7%	597	3.7%
Total	\$ 107,468	\$ 1,402	\$ 108,870	\$ 99,670	\$ 7,798	7.8%	\$ 9,200	9.2%

RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS MARGINS

(Unaudited, In thousands)

	Three Months Ended June 30,				Change As Presented	Change Previous Revenue Standard
	2018		2017		Amount	Amount
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard			
Gross margins						
Business Solutions	17.5%	(207)	15.5%	15.6%	191	(16)
Enterprise Solutions	14.4%	(180)	12.6%	12.3%	208	29
Public Sector Solutions	12.5%	(187)	10.6%	10.8%	170	(17)
Total	15.2%	(193)	13.3%	13.3%	192	(1)

PC Connection, Inc. & Subsidiaries Income Statement

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Month Ended June 30,	
	2018	2017	2018	2017
<i>(amounts in thousands, except per share data)</i>				
Net sales	\$ 706,570	\$ 749,792	\$ 1,331,465	\$ 1,420,386
Cost of sales	599,102	650,122	1,127,625	1,233,983
Gross profit	107,468	99,670	203,840	186,403
Selling, general and administrative expenses	82,521	77,230	163,421	152,511
Income from operations	24,947	22,440	40,419	33,892
Interest/other expense, net	182	9	298	28
Income tax provision	(6,903)	(8,864)	(11,191)	(12,903)
Net income	<u>\$ 18,226</u>	<u>\$ 13,585</u>	<u>\$ 29,526</u>	<u>\$ 21,017</u>
Earnings per common share:				
Basic	\$ 0.68	\$ 0.51	\$ 1.10	\$ 0.79
Diluted	<u>\$ 0.68</u>	<u>\$ 0.51</u>	<u>\$ 1.10</u>	<u>\$ 0.78</u>
Shares used in the computation of earnings per common share:				
Basic	26,686	26,761	26,760	26,729
Diluted	<u>26,820</u>	<u>26,893</u>	<u>26,868</u>	<u>26,879</u>

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

PC Connection, Inc. & Subsidiaries Adjusted EBITDA

EBITDA AND ADJUSTED EBITDA

(amounts in thousands)	LTM Ended June 30, ⁽¹⁾				Change As Presented	Change Previous Revenue Standard
	2018		2017		Percent	Percent
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard			
Net income	\$ 63,366	\$ 422	\$ 63,788	\$ 47,607	33%	34%
Depreciation and amortization	12,858	-	12,858	11,359	13%	13%
Income tax expense	21,056	162	21,218	30,618	(31%)	(31%)
Interest expense	121	-	121	139	(13%)	(13%)
EBITDA	97,401	584	97,985	89,723	9%	9%
Special charges ⁽²⁾	2,695	-	2,695	3,506	(23%)	(23%)
Stock-based compensation	822	-	822	788	4%	4%
Adjusted EBITDA	\$ 100,918	\$ 584	\$ 101,502	\$ 94,017	7%	8%

(1) LTM: Last twelve months

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

PC Connection, Inc. & Subsidiaries Balance Sheet

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2018	December 31, 2017 ⁽¹⁾
<i>(amounts in millions)</i>		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 68.7	\$ 50.0
Accounts receivable, net	464.0	449.7
Inventories, net	107.5	106.8
Prepaid expenses and other current assets	8.3	5.7
Income taxes receivable	0.9	3.9
Total current assets	<u>647.4</u>	<u>616.1</u>
Property and equipment, net	48.0	41.6
Goodwill	73.6	73.6
Other intangibles, net	10.3	11.0
Long-term accounts receivable	1.9	-
Other assets	1.8	5.6
Total Assets	<u>\$ 781.0</u>	<u>\$ 747.9</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 200.9	\$ 194.3
Accrued expenses and other liabilities	28.9	31.0
Accrued payroll	23.5	22.7
Total current liabilities	<u>253.3</u>	<u>248.0</u>
Deferred income taxes	16.1	15.7
Other liabilities	1.9	1.9
Total Liabilities	<u>271.3</u>	<u>265.6</u>
Stockholders' Equity:		
Common stock	0.3	0.3
Additional paid-in capital	115.2	114.2
Retained earnings	414.4	383.7
Treasury stock at cost	(20.2)	(15.9)
Total Stockholders' Equity	<u>509.7</u>	<u>482.3</u>
Total Liabilities and Stockholders' Equity	<u>\$ 781.0</u>	<u>\$ 747.9</u>

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

PC Connection, Inc. & Subsidiaries Cash Flow Trend

(Amounts in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
Cash Flow Activity	2018	2017	2018	2017
Net Cash provided by (used for) operating activities	4.3	(35.2)	41.5	(9.8)
Net Cash used for investing activities	(4.9)	(3.0)	(9.9)	(4.5)
Net Cash (used for) provided by financing activities	(1.6)	0.6	(12.9)	(6.8)
(Decrease) increase in cash and cash equivalents	(2.3)	(37.6)	18.7	(21.0)
Cash and cash equivalents, beginning of period	71	65.8	50	49.9
Cash and cash equivalents, end of period	\$ 68.7	\$ 28.1	\$ 68.7	\$ 28.1

PC Connection, Inc. & Subsidiaries

Other Key Operating Metrics / Stock Repurchases

CONSOLIDATED SELECTED FINANCIAL INFORMATION UNDER PREVIOUS REVENUE RECOGNITION STANDARD

	2018		2017	
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard	
Inventory turns	26	5	31	22
Days sales outstanding	53	(6)	47	47

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

Remaining Authorized \$ at June 30, 2018

\$ 13,382,763



Thank you!