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

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**(Mark One)**

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 0-23827

**PC CONNECTION, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**02-0513618**

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

**730 Milford Road  
Merrimack, New Hampshire**  
(Address of principal executive offices)

**03054**

(Zip Code)

**(603) 683-2000**  
(Registrant's telephone number, including area code)

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

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

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

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

**Yes  No**

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

**Yes  No**

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

**Yes  No**

The number of shares outstanding of the issuer's common stock as of April 24, 2024 was 26,363,431.

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**PC CONNECTION, INC. AND SUBSIDIARIES  
FORM 10-Q**

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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

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

	March 31, 2024	December 31, 2023
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 147,579	\$ 144,954
Short-term investments	204,374	152,232
Accounts receivable, net	527,259	606,834
Inventories, net	123,900	124,179
Income taxes receivable	3,318	4,348
Prepaid expenses and other current assets	16,926	16,092
Total current assets	1,023,356	1,048,639
Property and equipment, net	55,529	56,658
Right-of-use assets	4,020	4,340
Goodwill	73,602	73,602
Intangibles, net	3,124	3,428
Other assets	1,434	1,714
Total Assets	<u>\$ 1,161,065</u>	<u>\$ 1,188,381</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 218,801	\$ 263,682
Accrued payroll	22,607	20,440
Accrued expenses and other liabilities	48,400	43,843
Total current liabilities	289,808	327,965
Deferred income taxes	15,806	15,844
Noncurrent operating lease liabilities	2,760	3,181
Other liabilities	19	624
Total Liabilities	308,393	347,614
Stockholders' Equity:		
Common stock	293	293
Additional paid-in capital	132,596	130,878
Retained earnings	771,416	760,898
Accumulated other comprehensive (loss) income	(62)	81
Treasury stock, at cost	(51,571)	(51,383)
Total Stockholders' Equity	852,672	840,767
Total Liabilities and Stockholders' Equity	<u>\$ 1,161,065</u>	<u>\$ 1,188,381</u>

See notes to unaudited condensed consolidated financial statements.

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

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Net sales	\$ 632,025	\$ 727,545
Cost of sales	513,953	605,249
Gross profit	118,072	122,296
Selling, general and administrative expenses	104,608	103,282
Restructuring and other charges	—	897
Income from operations	13,464	18,117
Interest income, net	4,567	1,286
Income before taxes	18,031	19,403
Income tax provision	(4,877)	(5,205)
Net income	<u><u>\$ 13,154</u></u>	<u><u>\$ 14,198</u></u>
Earnings per common share:		
Basic	\$ 0.50	\$ 0.54
Diluted	<u><u>\$ 0.50</u></u>	<u><u>\$ 0.54</u></u>
Shares used in computation of earnings per common share:		
Basic	26,362	26,325
Diluted	<u><u>26,525</u></u>	<u><u>26,436</u></u>

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 13,154	\$ 14,198
Other comprehensive loss:		
Unrealized losses on available-for-sale investments, net of tax of \$ 38	(143)	—
Comprehensive income	<u>\$ 13,011</u>	<u>\$ 14,198</u>

See notes to unaudited condensed consolidated financial statements.

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

Three Months Ended March 31, 2024								
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Comprehensive (Loss) Income	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance - December 31, 2023	29,262	\$ 293	\$ 130,878	\$760,898	\$ 81	(2,902)	\$(51,383)	\$840,767
Stock-based compensation expense	—	—	1,949	—	—	—	—	1,949
Restricted stock units vested	9	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(231)	—	—	—	—	(231)
Repurchase of common stock for treasury	—	—	—	—	—	(3)	(188)	(188)
Dividend declaration (\$0.10 per share)	—	—	—	(2,636)	—	—	—	(2,636)
Net income	—	—	—	13,154	—	—	—	13,154
Other comprehensive loss, net of tax	—	—	—	—	(143)	—	—	(143)
Balance - March 31, 2024	<u>29,271</u>	<u>\$ 293</u>	<u>\$ 132,596</u>	<u>\$771,416</u>	<u>\$ (62)</u>	<u>(2,905)</u>	<u>\$(51,571)</u>	<u>\$852,672</u>

  

Three Months Ended March 31, 2023								
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Comprehensive (Loss) Income	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance - December 31, 2022	29,123	\$ 291	\$ 125,784	\$686,037	\$ —	(2,773)	\$(45,937)	\$766,175
Stock-based compensation expense	—	—	1,853	—	—	—	—	1,853
Restricted stock units vested	10	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(213)	—	—	—	—	(213)
Repurchase of common stock for treasury	—	—	—	—	—	(79)	(3,423)	(3,423)
Dividend declaration (\$0.08 per share)	—	—	—	(2,107)	—	—	—	(2,107)
Net income	—	—	—	14,198	—	—	—	14,198
Balance - March 31, 2023	<u>29,133</u>	<u>\$ 291</u>	<u>\$ 127,424</u>	<u>\$698,128</u>	<u>\$ —</u>	<u>(2,852)</u>	<u>\$(49,360)</u>	<u>\$776,483</u>

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,	
	2024	2023
<b>Cash Flows provided by Operating Activities:</b>		
Net income	\$ 13,154	\$ 14,198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,266	3,073
Adjustments to credit losses reserve	269	(99)
Stock-based compensation expense	1,949	1,853
Amortization of discount on short-term investments	(2,324)	—
Loss on disposal of fixed assets	21	474
Changes in assets and liabilities:		
Accounts receivable	79,306	(11,465)
Inventories	279	9,365
Prepaid expenses, income tax receivable, and other current assets	196	(6,245)
Other non-current assets	280	42
Accounts payable	(45,127)	5,859
Accrued expenses and other liabilities	6,016	2,450
Net cash provided by operating activities	<u>57,285</u>	<u>19,505</u>
<b>Cash Flows used in Investing Activities:</b>		
Purchases of short-term investments	(99,999)	—
Maturities of short-term investments	50,000	—
Purchases of property and equipment	(1,608)	(1,882)
Net cash used in investing activities	<u>(51,607)</u>	<u>(1,882)</u>
<b>Cash Flows used in Financing Activities:</b>		
Proceeds from short-term borrowings	8,349	59,310
Repayment of short-term borrowings	(8,349)	(59,310)
Purchase of common stock for treasury shares	(186)	(3,423)
Dividend payments	(2,636)	(2,107)
Payment of payroll taxes on stock-based compensation through shares withheld	(231)	(213)
Net cash used in financing activities	<u>(3,053)</u>	<u>(5,743)</u>
Increase in cash and cash equivalents	2,625	11,880
Cash and cash equivalents, beginning of period	144,954	122,930
Cash and cash equivalents, end of period	<u>\$ 147,579</u>	<u>\$ 134,810</u>
<b>Non-cash Investing and Financing Activities:</b>		
Accrued purchases of property and equipment	\$ 336	\$ 753
Accrued excise tax on treasury purchases	\$ 2	\$ —
<b>Supplemental Cash Flow Information:</b>		
Income taxes paid	\$ 635	\$ 7,279
Interest paid	\$ 1	\$ 17

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, or the Company, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC, regarding interim financial reporting and in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Such principles were applied on a basis consistent with the accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

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, 2024 may not be indicative of the results expected for any succeeding quarter or the entire year ending December 31, 2024.

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

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

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

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

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

Included in interest income, net on the condensed consolidated statements of income is interest income on cash equivalents and short-term investments of \$4,565 and \$1,308 for the three months ended March 31, 2024 and 2023, respectively.

***Treasury Stock, at Cost***

The total repurchases for the three months ended March 31, 2024 were recorded as treasury stock of \$ 188. Such cost reflects the applicable one percent excise tax imposed by the Inflation Reduction Act of 2022 on the net value of certain

stock repurchases made after December 31, 2022. The total repurchases for the three months ended March 31, 2023 were recorded as treasury stock of \$3,423.

**Restructuring and Other Charges**

There were no restructuring and other charges recorded for the three months ended March 31, 2024. The restructuring and other charges recorded for the three months ended March 31, 2023 were primarily related to an involuntary reduction in our headquarter workforce and included cash severance and other related termination benefits. The Company is currently evaluating additional restructuring activities for the second quarter of 2024 and beyond.

Restructuring and other charges are presented separately from selling, general and administrative expenses. Costs incurred were as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Employee separations	\$ —	\$ 698
Other charges	—	199
<b>Total restructuring and other charges</b>	<b>\$ —</b>	<b>\$ 897</b>

Included in accrued expenses and other liabilities on the condensed consolidated balance sheets as of March 31, 2024 was \$210 related to unpaid termination benefits.

**Recently Issued Financial Accounting Standards**

In November 2023, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This guidance is intended to improve segment reporting disclosures on both an interim and annual basis, primarily through enhanced disclosures about significant segment expenses. This ASU is effective for the Company's annual reporting periods beginning January 1, 2024, and for interim reporting periods beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statement disclosures.

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

**Note 2—Revenue**

The Company disaggregates revenue from its arrangements with customers by type of products and services, as it believes this method best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

The following tables represent a disaggregation of revenue from arrangements with customers for the three months ended March 31, 2024 and 2023, along with the segment for each category (in thousands).

	Three Months Ended March 31, 2024			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	\$ 90,231	\$ 92,156	\$ 38,882	\$ 221,269
Desktops	38,037	18,118	8,747	64,902
Software	27,120	30,652	5,550	63,322
Servers/Storage	12,367	21,611	8,506	42,484
Net/Com Products	19,962	21,845	5,605	47,412
Displays and Sound	31,264	21,752	10,603	63,619
Accessories	41,532	30,373	7,596	79,501
Other Hardware/Services	22,146	19,362	8,008	49,516
<b>Total net sales</b>	<b>\$ 282,659</b>	<b>\$ 255,869</b>	<b>\$ 93,497</b>	<b>\$ 632,025</b>

	Three Months Ended March 31, 2023			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	\$ 114,318	\$ 94,919	\$ 51,774	\$ 261,011
Desktops	30,142	18,762	14,417	63,321
Software	39,234	34,576	9,917	83,727
Servers/Storage	12,507	24,291	9,987	46,785
Net/Com Products	20,532	28,304	13,320	62,156
Displays and Sound	26,720	22,813	13,202	62,735
Accessories	47,594	28,735	13,473	89,802
Other Hardware/Services	22,896	20,714	14,398	58,008
<b>Total net sales</b>	<b>\$ 313,943</b>	<b>\$ 273,114</b>	<b>\$ 140,488</b>	<b>\$ 727,545</b>

**Contract Balances**

The following table provides information about contract liabilities from arrangements with customers as of March 31, 2024 and December 31, 2023 (in thousands).

Contract liabilities, which are included in "Accrued expenses and other liabilities"	March 31, 2024	December 31, 2023
	\$ 8,453	\$ 4,206

Changes in the contract liability balances during the three months ended March 31, 2024 and 2023 are as follows (in thousands):

	2024
Balance at December 31, 2023	\$ 4,206
Cash received in advance and not recognized as revenue	5,795
Amounts recognized as revenue as performance obligations satisfied	(1,548)
<b>Balance at March 31, 2024</b>	<b>\$ 8,453</b>
	2023
Balance at December 31, 2022	\$ 4,266
Cash received in advance and not recognized as revenue	7,656
Amounts recognized as revenue as performance obligations satisfied	(4,388)
<b>Balance at March 31, 2023</b>	<b>\$ 7,534</b>

**Note 3—Fair Value Measurements**

Cash equivalents and short-term investments consist of the following (in thousands):

	March 31, 2024			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Cash equivalents:</b>				
Money market funds	\$ 123,996	\$ —	\$ —	\$ 123,996
<b>Short-term investments:</b>				
U.S. Government treasury securities	204,452	—	(78)	204,374
<b>Total</b>	<b><u>\$ 328,448</u></b>	<b><u>\$ —</u></b>	<b><u>\$ (78)</u></b>	<b><u>\$ 328,370</u></b>

	December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Cash equivalents:</b>				
Money market funds	\$ 129,123	\$ —	\$ —	\$ 129,123
<b>Short-term investments:</b>				
U.S. Government treasury securities	152,129	103	—	152,232
<b>Total</b>	<b><u>\$ 281,252</u></b>	<b><u>\$ 103</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 281,355</u></b>

Investments with maturities of 90 days or less from the date of purchase are classified as cash equivalents; investments with maturities of greater than 90 days from the date of purchase but less than one year are generally classified as short-term investments; and investments with maturities of one year or greater from the date of purchase are generally classified as long-term investments. All short-term investments had stated maturity dates of less than one year. The Company has recorded the securities at fair value on its condensed consolidated balance sheets and unrealized gains and losses are reported as a component of accumulated other comprehensive income. The amount of realized gains and losses reclassified into earnings and the related adjustments to deferred taxes are based on the specific identification of the securities sold or securities that reached maturity date.

**Fair Value**

The Company measures certain financial assets at fair value. Fair value is determined based upon the exit price that would be received to sell an asset in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques are classified based on a three-level hierarchy, as follows:

- Level 1 inputs: Quoted prices for identical assets or liabilities in active markets;
- Level 2 inputs: Observable inputs other than those described as Level 1; and
- Level 3 inputs: Unobservable inputs that are supported by little or no market activities and are based on significant assumptions and estimates.

As of March 31, 2024 and December 31, 2023, the fair value of the Company's investments were all measured using level 1 inputs.

**Note 4—Earnings Per Share**

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

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended March 31,	
	2024	2023
<b>Numerator:</b>		
Net income	\$ 13,154	\$ 14,198
<b>Denominator:</b>		
Denominator for basic earnings per share	26,362	26,325
Dilutive effect of employee stock awards	163	111
Denominator for diluted earnings per share	26,525	26,436
<b>Earnings per share:</b>		
Basic	\$ 0.50	\$ 0.54
Diluted	\$ 0.50	\$ 0.54

For the three months ended March 31, 2024 and 2023, the Company had no outstanding non-vested stock units that were excluded from the computation of diluted earnings per share because including them would have had an anti-dilutive effect.

**Note 5—Leases**

The Company leases certain facilities from a related party, which is a company affiliated with us through common ownership.

As of March 31, 2024, there were no additional operating leases that have not yet commenced. Refer to the following table for quantitative information related to the Company's leases for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
	Related Parties	Others	Total	Related Parties	Others	Total
<b>Lease Cost</b>						
Capitalized operating lease cost	\$ —	\$ 459	\$ 459	\$ 313	\$ 709	\$ 1,022
Short-term lease cost	420	141	561	107	21	128
<b>Total lease cost</b>	<b>\$ 420</b>	<b>\$ 600</b>	<b>\$ 1,020</b>	<b>\$ 420</b>	<b>\$ 730</b>	<b>\$ 1,150</b>
<b>Other Information</b>						
Cash paid for amounts included in the measurement of lease liabilities and capitalized operating leases:						
Operating cash flows	\$ —	\$ 445	\$ 445	\$ 313	\$ 643	\$ 956
<b>Weighted-average remaining lease term (in years):</b>						
Capitalized operating leases	—	2.67	2.67	0.67	3.81	3.45
<b>Weighted-average discount rate:</b>						
Capitalized operating leases	3.92%	4.12%	4.07%	3.92%	4.06%	4.04%

As of March 31, 2024, future lease payments over the remaining term of capitalized operating leases were as follows (in thousands):

<b>For the Years Ended December 31,</b>	<b>Related Parties</b>	<b>Others</b>	<b>Total</b>
2024, excluding the three months ended March 31, 2024	\$ 1,133	\$ 401	\$ 1,534
2025	163	1,650	1,813
2026	163	957	1,120
2027	1	236	237
2028	—	161	161
Thereafter	—	—	—
	<b>\$ 1,460</b>	<b>\$ 3,405</b>	<b>\$ 4,865</b>
<b>Imputed interest</b>			<b>(256)</b>
<b>Lease liability balance at March 31, 2024</b>			<b>\$ 4,609</b>

As of March 31, 2024, the right-of-use, or ROU, asset had a balance of \$ 4,020. The long-term lease liability was \$2,760 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was \$1,849. As of December 31, 2023, the ROU asset had a balance of \$ 4,340. The long-term lease liability was \$3,181 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was \$1,733.

#### **Note 6—Segment Information**

The internal reporting structure used by the Company's chief operating decision maker, or CODM, to assess performance and allocate resources determines the basis for the Company's operating segments. The Company's CODM is its Chief Executive Officer, and he evaluates operations and allocates resources based on a measure of operating income.

The Company's operations are organized under three segments—the Enterprise Solutions segment, which serves primarily medium-to-large corporations; the Business Solutions segment, which serves primarily small- to medium-sized businesses; and the Public Sector Solutions segment, which serves primarily federal, state, and local government and educational institutions. In addition, the Headquarters/Other group provides services in areas such as finance, human resources, information technology, or IT, 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. The Company reports 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.

Net sales presented below exclude inter-segment product revenues. Segment information applicable to the Company's operating segments for the three months ended March 31, 2024 and 2023 is shown below (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
<b>Net sales:</b>		
Enterprise Solutions	\$ 282,659	\$ 313,943
Business Solutions	255,869	273,114
Public Sector Solutions	93,497	140,488
Total net sales	<u><u>\$ 632,025</u></u>	<u><u>\$ 727,545</u></u>
<b>Operating income (loss):</b>		
Enterprise Solutions	\$ 5,847	\$ 6,522
Business Solutions	15,789	16,553
Public Sector Solutions	(5,350)	29
Headquarters/Other	(2,822)	(4,987)
Total operating income	<u><u>13,464</u></u>	<u><u>18,117</u></u>
Interest income, net	4,567	1,286
Income before taxes	<u><u>\$ 18,031</u></u>	<u><u>\$ 19,403</u></u>
Selected operating expense:		
<b>Depreciation and amortization:</b>		
Enterprise Solutions	\$ 205	\$ 424
Business Solutions	163	159
Public Sector Solutions	23	19
Headquarters/Other	2,875	2,471
Total depreciation and amortization	<u><u>\$ 3,266</u></u>	<u><u>\$ 3,073</u></u>
<b>Total assets:</b>		
Enterprise Solutions	\$ 701,826	\$ 661,670
Business Solutions	514,019	467,444
Public Sector Solutions	54,563	104,880
Headquarters/Other	(109,343)	(115,937)
Total assets	<u><u>\$ 1,161,065</u></u>	<u><u>\$ 1,118,057</u></u>

The assets of the Company's 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 and cash equivalents, short-term investments, inventories, property and equipment, ROU assets, and intercompany balance, net. As of March 31, 2024 and 2023, total assets for the Headquarters/Other group were presented net of intercompany balance eliminations of \$15,039 and \$60,176, respectively. The Company's capital expenditures consist largely of IT hardware and software purchased to maintain or upgrade its management information systems. These information systems serve all of the Company's segments, to varying degrees, and accordingly, the CODM does not evaluate capital expenditures on a segment-by-segment basis.

**Note 7—Accumulated Other Comprehensive Income (Loss)**

Accumulated other comprehensive income (loss), which is included as a component of stockholders' equity, is comprised of unrealized gains (losses) on short-term investments, net of tax. The changes in accumulated other comprehensive income (loss) were as follows (in thousands):

	Three Months Ended March 31, 2024
Balance - December 31, 2023	\$ 81
Other comprehensive income (loss) before reclassifications, net of tax	(135)
Less amounts reclassified from accumulated other comprehensive income (loss), net of tax	8
Net other comprehensive income (loss)	(143)
Balance - March 31, 2024	<u><u>\$ (62)</u></u>
	Three Months Ended March 31, 2023
Balance - December 31, 2022	\$ —
Other comprehensive income (loss) before reclassifications, net of tax	—
Less amounts reclassified from accumulated other comprehensive income (loss), net of tax	—
Net other comprehensive income (loss)	—
Balance - March 31, 2023	<u><u>\$ —</u></u>

**Note 8—Commitments and Contingencies**

The Company is subject to various legal proceedings and claims, which have arisen during the ordinary course of business. The outcomes of such matters are not expected to have a material, adverse effect on the Company's financial position, results of operations, and/or cash flows.

The Company is subject to audits by states on sales and income taxes, employment matters, and other assessments. Additional liabilities for these and other audits could be assessed, but such outcomes are not expected to have a material, adverse impact on the Company's financial position, results of operations, and/or cash flows.

**Note 9—Bank Borrowings**

The Company has a \$50,000 credit facility collateralized by its account receivables that expires March 31, 2025. This facility can be increased, at the Company's 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 daily Bloomberg Short-Term Bank Yield Index, or BSBY Rate, plus a spread based on the Company's funded debt ratio, or in the absence of BSBY Rate, the prime rate (8.50% at March 31, 2024). 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 for a given quarter to consolidated trailing twelve months Adjusted Earnings Before Interest Expense, Taxes, Depreciation, Amortization, and Special Charges, or Adjusted EBITDA. The maximum allowable funded debt ratio under the agreement is 2.0 to 1.0. Decreases in the Company's consolidated trailing twelve months Adjusted EBITDA could limit its potential borrowing capacity under the credit facility. As of March 31, 2024, the Company was in compliance with all financial covenants contained in the agreement governing the credit facility.

Cash receipts are automatically applied against any outstanding borrowings. During the three months ended March 31, 2024 and 2023, the Company borrowed incremental amounts that were each repaid in full. These borrowings for the three months ended March 31, 2024 and 2023 totaled \$8,349 and \$59,310, respectively; however, at no time were the outstanding borrowings greater than the \$50,000 limit under the credit facility. The Company had no outstanding borrowings under the credit facility as of March 31, 2024 or 2023, and accordingly, the entire \$50,000 credit facility was available for borrowings on such date.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS**

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements generally relate to future events or our future financial or operating performance and include statements concerning, among other things, our future financial results, business plans (including statements regarding new products and services we may offer and future expenditures, costs and investments), liabilities, impairment charges, competition, and the expected impact of current macroeconomic conditions on our businesses and results of operations. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "would," "should," "expects," "plans," "could," "intends," "target," "projects," "believes," "estimates," "anticipates," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. These statements reflect our current views and are based on assumptions as of the date of this report. Such assumptions are based upon internal estimates and other analyses of current market conditions and trends, management expectations, plans, and strategies, economic conditions, and other factors. These statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements.*

*Such differences may result from actions taken by us, including expense reduction or strategic initiatives (including reductions in force, capital investments and new or expanded product offerings or services), the execution of our business plans (including our inventory management, cost structure and management and other personnel decisions) or other business decisions, as well as from developments beyond our control, including*

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

*Additional factors include those described in our Annual Report on Form 10-K for the year ended December 31, 2023, including under the captions "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," in our subsequent quarterly reports on Form 10-Q, including under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in the other subsequent filings we make with the Securities and Exchange Commission from time to time.*

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

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

## OVERVIEW

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

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

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

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

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

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

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

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

## RESULTS OF OPERATIONS

The following table sets forth information derived from our statements of income expressed as a percentage of net sales for the periods indicated (dollars in millions):

	Three Months Ended March 31,	
	2024	2023
Net sales	\$ 632.0	\$ 727.5
Gross margin	18.7 %	16.8 %
Selling, general and administrative expenses	16.6 %	14.2 %
Income from operations	2.1 %	2.5 %

Net sales of \$632.0 million for the first quarter of 2024 reflected a decrease of \$95.5 million, or 13.1% compared to the first quarter of 2023. The decrease was primarily driven by decreases in sales of notebooks/mobility, software, net/com products, accessories, other hardware/services, and servers/storage of \$39.7 million, \$20.4 million, \$14.7 million, \$10.3 million, \$8.5 million, and \$4.3 million, respectively, as shown in the table in Note 2 "Revenue" in the Notes to our Unaudited Condensed Consolidated Financial Statements. These decreases were partially offset by an increase in sales of desktops of \$1.6 million. Gross profit for the first quarter of 2024 decreased year-over-year by \$4.2 million, or 3.5%, to \$118.1 million as illustrated in the table and the discussion beginning on page 19 of this Quarterly Report on Form 10-Q. Gross margin increased to 18.7% from 16.8% a year ago. The increase in gross margin was primarily driven by an increase in the amount of software sales recognized on a net basis. SG&A expenses increased year-over-year by \$1.3 million, or 1.3%, to \$104.6 million. SG&A expenses as a percentage of net sales increased to 16.6% compared to 14.2% a year ago. The increase in SG&A expenses as a percentage of net sales is primarily due to the decrease in net sales, as discussed above. Operating income for the first quarter of 2024 decreased year-over-year both in dollars and as a percentage of net sales by \$4.7 million and 40 basis points, respectively, primarily as a result of the decrease in gross profit discussed above.

**Net Sales Distribution**

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

	Three Months Ended March 31,	
	2024	2023
<b>Operating Segment</b>		
Enterprise Solutions	45 %	43 %
Business Solutions	40	38
Public Sector Solutions	15	19
<b>Total</b>	<b>100 %</b>	<b>100 %</b>
<b>Product Mix</b>		
Notebooks/Mobility	35 %	36 %
Desktops	10	9
Software	10	12
Servers/Storage	7	6
Net/Com Products	7	9
Displays and Sound	10	9
Accessories	13	12
Other Hardware/Services	8	7
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

**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,	
	2024	2023
<b>Operating Segment</b>		
Enterprise Solutions	15.1 %	13.4 %
Business Solutions	23.6	21.9
Public Sector Solutions	16.0	14.5
<b>Total Company</b>	<b>18.7 %</b>	<b>16.8 %</b>

**Operating Expenses**

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

	Three Months Ended March 31,	
	2024	2023
Personnel costs	\$ 78.5	\$ 79.2
Advertising	7.4	6.6
Service contracts/subscriptions	6.0	5.2
Professional fees	3.4	3.8
Depreciation and amortization	3.3	3.1
Facilities operations	1.8	2.2
Credit card fees	1.6	1.5
Other	2.6	1.7
<b>Total SG&amp;A expense</b>	<b>\$ 104.6</b>	<b>\$ 103.3</b>
As a percentage of net sales	<b>16.6 %</b>	<b>14.2 %</b>

**Restructuring and Other Charges**

There were no restructuring and other charges recorded for the three months ended March 31, 2024. In the first quarter of 2023, we undertook actions to lower our cost structure. In connection with these initiatives, we incurred

restructuring and other charges of \$0.9 million in the first quarter of 2023, which were primarily related to an involuntary reduction in our headquarter workforce and included cash severance and other related termination benefits. The Company is currently evaluating additional restructuring activities for the second quarter of 2024 and beyond.

#### Year-Over-Year Comparisons

In this section and elsewhere in this Quarterly Report on Form 10-Q we refer to changes in year-over-year results. Unless context otherwise requires, such references refer to changes between the three months ended March 31, 2024 and the three months ended March 31, 2023.

##### **Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023**

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

	Three Months Ended March 31,					
	2024		2023		\$ Change	% Change
	Amount	% of Net Sales	Amount	% of Net Sales		
<b>Net Sales:</b>						
Enterprise Solutions	\$ 282.6	44.7 %	\$ 313.9	43.2 %	\$ (31.3)	(10.0)%
Business Solutions	255.9	40.5	273.1	37.5	(17.2)	(6.3)
Public Sector Solutions	93.5	14.8	140.5	19.3	(47.0)	(33.4)
<b>Total</b>	<b>\$ 632.0</b>	<b>100.0 %</b>	<b>\$ 727.5</b>	<b>100.0 %</b>	<b>\$ (95.5)</b>	<b>(13.1)%</b>
<b>Gross Profit:</b>						
Enterprise Solutions	\$ 42.7	15.1 %	\$ 42.1	13.4 %	\$ 0.6	1.6 %
Business Solutions	60.4	23.6	59.9	21.9	0.5	0.8
Public Sector Solutions	15.0	16.0	20.3	14.5	(5.3)	(26.3)
<b>Total</b>	<b>\$ 118.1</b>	<b>18.7 %</b>	<b>\$ 122.3</b>	<b>16.8 %</b>	<b>\$ (4.2)</b>	<b>(3.5)%</b>

*Net sales* decreased for the first quarter of 2024 compared to the first quarter of 2023, as explained by the year-over-year changes discussed below:

- Net sales of \$282.6 million for the Enterprise Solutions segment reflect a decrease of \$31.3 million, or 10.0%. The decrease in net sales is primarily due to decreases in net sales of notebooks/mobility, software, and accessories of \$24.1 million, \$12.1 million, and \$6.1 million, respectively. These decreases were partially offset by increases in net sales of desktops and displays and sound of \$7.9 million and \$4.5 million, respectively.
- Net sales of \$255.9 million for the Business Solutions segment reflect a decrease of \$17.2 million, or 6.3%. The decrease in net sales is primarily due to decreases in net sales of net/com products, software, notebooks/mobility, servers/storage, other hardware/services, and displays and sound of \$6.5 million, \$3.9 million, \$2.8 million, \$2.7 million, \$1.4 million, and \$1.1 million, respectively. These decreases were partially offset by an increase in net sales of accessories of \$1.6 million.
- Net sales of \$93.5 million for the Public Sector Solutions segment reflect a decrease of \$47.0 million, or 33.4%. Sales to the federal government decreased by \$39.5 million, or 69.1%, compared to the prior year quarter, and sales to state and local government and educational institutions decreased by \$7.5 million, or 9.0%. The decrease in net sales is primarily due to decreases in net sales across all product categories, most notably notebooks/mobility, net/com products, other hardware/services, accessories, desktops, and software of \$12.9 million, \$7.7 million, \$6.4 million, \$5.9 million, \$5.7 million, and \$4.4 million, respectively. The decrease is also attributable to two large federal projects that were fulfilled in the first quarter of 2023 that did not repeat.

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*Gross profit* for the first quarter of 2024 decreased year-over-year, while *gross margin* for the first quarter of 2024 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross profit for the Enterprise Solutions segment remained substantially the same year-over-year. Gross margin increased by 170 basis points primarily due to an increase in the amount of software sales recognized on a net basis.
- Gross profit for the Business Solutions segment remained substantially the same year-over-year. Gross margin increased by 170 basis points primarily due to an increase in the amount of software sales recognized on a net basis.
- Gross profit for the Public Sector Solutions segment decreased by \$5.3 million primarily due to the decrease in net sales as discussed in the preceding paragraph. Gross margin increased by 150 basis points primarily due to an increase in the amount of software sales recognized on a net basis.

*Selling, general and administrative expenses* for the first quarter of 2024 increased both in dollars and as a percentage of net sales compared to the first quarter of 2023. SG&A expenses attributable to our three segments and the remaining unallocated Headquarters/Other group expenses are summarized in the table below (dollars in millions):

	Three Months Ended March 31,					
	2024		2023			
	Amount	% of Segment Net Sales	Amount	% of Segment Net Sales	\$ Change	% Change
Enterprise Solutions	\$ 36.9	13.0 %	\$ 35.5	11.3 %	\$ 1.4	3.8 %
Business Solutions	44.6	17.4	43.4	15.9	1.2	2.8
Public Sector Solutions	20.3	21.7	20.3	14.4	—	—
Headquarters/Other, unallocated	2.8	—	4.1	—	(1.3)	(31.0)
<b>Total</b>	<b>\$ 104.6</b>	<b>16.6 %</b>	<b>\$ 103.3</b>	<b>14.2 %</b>	<b>\$ 1.3</b>	<b>1.3 %</b>

- SG&A expenses for the Enterprise Solutions segment increased year-over-year both in dollars and as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to an increase in use of shared Headquarter services of \$3.2 million, partially offset by a decrease in personnel costs of \$1.9 million. SG&A expenses as a percentage of net sales were 13.0% for the Enterprise Solutions segment for the first quarter of 2024, which reflects an increase of 170 basis points and is primarily due to the decrease in net sales discussed above.
- SG&A expenses for the Business Solutions segment increased year-over-year both in dollars and as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to increases in use of shared Headquarter services and advertising costs of \$0.8 million and \$0.6 million, respectively, partially offset by a decrease in personnel costs of \$0.6 million. SG&A expenses as a percentage of net sales were 17.4% for the Business Solutions segment for the first quarter of 2024, which reflects an increase of 150 basis points and is primarily due to the decrease in net sales discussed above.
- SG&A expenses for the Public Sector Solutions segment remained substantially the same year-over-year in dollars but increased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to a \$0.4 million increase in use of shared Headquarter services, partially offset by a \$0.5 million decrease in personnel costs. SG&A expenses as a percentage of net sales were 21.7% for the Public Sector Solutions segment for the first quarter of 2024, which reflects an increase of 730 basis points and is primarily due to the decrease in net sales discussed above.
- SG&A expenses for the Headquarters/Other group decreased year-over-year by \$1.3 million primarily due to a decrease in unallocated Headquarter overhead costs of \$4.4 million, partially offset by increases in personnel costs and service contracts/subscriptions of \$2.4 million and \$1.0 million, respectively. The Headquarters/Other group provides services to the three segments in areas such as finance, distribution center, human resources, IT, marketing, and product management. Most of the operating costs associated with such corporate Headquarters services are charged to the segments based on their estimated allocation usage of the underlying services.

*Restructuring and other charges* were not incurred in the first quarter of 2024. The charges incurred in the first quarter of 2023 were \$0.9 million, which were primarily related to expenses incurred in connection with the involuntary reduction in our headquarter workforce and included cash severance and other related termination benefits.

*Income from operations* for the first quarter of 2024 decreased to \$13.5 million, compared to \$18.1 million for the first quarter of 2023, primarily due to the decreases in net sales and gross profit discussed above. Income from operations as a percentage of net sales was 2.1% for the first quarter of 2024, compared to 2.5% for the prior year quarter, primarily due to the decrease in net sales discussed above.

*Interest income, net* for the first quarter of 2024 increased to \$4.6 million, compared to \$1.3 million for the first quarter of 2023, primarily due to an increase in interest income of \$3.3 million as a result of higher cash equivalent balances and interest rates on short-term investments.

*Income taxes*. Our provision for income taxes for the first quarter of 2024 decreased to \$4.9 million, compared to \$5.2 million for the first quarter of 2023. Our effective tax rate increased to 27.0% for the quarter ended March 31, 2024, compared to 26.8% for the quarter ended March 31, 2023, primarily due to changes in state tax rates.

*Net income* for the first quarter of 2024 decreased to \$13.2 million, compared to \$14.2 million for the first quarter of 2023, primarily due to a \$4.6 million decrease in income from operations, partially offset by a \$3.3 million increase in interest income, net.

### **Liquidity and Capital Resources**

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

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

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

- *Cash and Cash Equivalents*. As of March 31, 2024, we had \$147.6 million in cash and cash equivalents.
- *Short-term Investments*. As of March 31, 2024, we had \$204.4 million in short-term investments.
- *Cash Generated from Operations*. We expect to generate cash flows from operations in excess of operating cash needs by generating earnings and managing net changes in inventories and receivables with changes in payables to generate positive cash flow.
- *Credit Facility*. As of March 31, 2024, no borrowings were outstanding under our \$50.0 million credit facility, which is available until March 31, 2025. Accordingly, our entire line of credit was available for borrowing as of March 31, 2024. This maximum borrowing capacity under our credit facility can be increased, at our option, to up 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. As of March 31, 2024, we were in compliance with the covenants of our credit facility.

Our ability to continue funding our planned growth, both internally and externally, is dependent upon our ability to generate sufficient cash flow from operations or to obtain additional funds through equity or debt financing, or from other sources of financing, as may be required. While we do not anticipate needing any additional sources of financing to fund our operations at this time, if demand for IT products declines, or our customers are materially adversely impacted

by the developing macroeconomic trends characterized by inflation and increased interest rates, our cash flows from operations may be substantially affected.

#### **Dividends**

A summary of 2024 dividend activity for our common stock is as follows:

Dividend Amount	Declaration Date	Record Date	Payment Date
\$ 0.10	February 12, 2024	February 27, 2024	March 15, 2024

On May 1, 2024, we announced that our Board of Directors declared a quarterly cash dividend on our common stock of \$0.10 per share. The dividend will be paid on May 29, 2024 to all stockholders of record as of the close of business on May 14, 2024. The declaration and payment of any future dividends is at the discretion of our Board of Directors and will depend upon our financial position, strategic plans, general business conditions and any other factors deemed relevant by our Board of Directors.

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

Cash flows from operating, investing and financing activities for the three months ended March 31, 2024 and 2023, as reflected in our Unaudited Condensed Consolidated Statements of Cash Flows included in Item 1 of this Quarterly Report on Form 10-Q, are summarized in the following table (in millions):

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Net cash provided by operating activities	\$ 57.3	\$ 19.5
Net cash used in investing activities	(51.6)	(1.9)
Net cash used in financing activities	(3.1)	(5.7)
Increase in cash and cash equivalents	<u>\$ 2.6</u>	<u>\$ 11.9</u>

Cash provided by operating activities was \$57.3 million for the three months ended March 31, 2024. Cash provided by operating activities resulted primarily from \$13.2 million of net income and a \$79.3 million decrease in accounts receivable. An increase in accrued expenses and other liabilities of \$6.0 million and depreciation and amortization added back to net income of \$3.3 million also contributed to the positive inflow of cash for the three months ended March 31, 2024. These inflows were partially offset by a decrease in accounts payable of \$45.1 million. The decrease in accounts receivable was primarily driven by the timing of receipts, combined with decreased levels of business activity. The decrease in accounts payable was primarily driven by the timing of payments. For the three months ended March 31, 2023, cash provided by operating activities resulted primarily from net income adjusted for non-cash charges of \$19.5 million, a decrease in inventory of \$9.4 million, and increases in accounts payable and accrued expenses and other liabilities of \$5.9 million and \$2.5 million, respectively, partially offset by increases in accounts receivable and prepaid expenses and other current assets of \$11.5 million and \$6.2 million, respectively.

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

(in days)	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Days of sales outstanding (DSO) <sup>(1)</sup>	70	71
Days of supply in inventory (DIO) <sup>(2)</sup>	22	30
Days of purchases outstanding (DPO) <sup>(3)</sup>	(39)	(36)
Cash conversion cycle	<u>53</u>	<u>65</u>

(1) Represents the trade receivable at the end of the quarter divided by average daily net sales for the same three-month period.

(2) Represents the inventory balance at the end of the quarter divided by average daily cost of sales for the same three-month period.

(3) Represents the accounts payable balance at the end of the quarter divided by average daily cost of sales for the same three-month period.

The cash conversion cycle decreased to 53 days for the quarter ended March 31, 2024, compared to 65 days for the quarter ended March 31, 2023. The decrease in DSO is primarily due to improved collections. The decrease in DIO is consistent with the decrease in inventory for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase in DPO is consistent with the decrease in cost of sales for the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023.

*Cash used in investing activities* for the three months ended March 31, 2024 consisted of \$100.0 million of purchases of U.S. Government treasury securities, \$50.0 million of maturities of U.S. Government treasury securities, and \$1.6 million of purchases of property and equipment. These property and equipment expenditures were primarily for computer equipment and capitalized internally developed software in connection with investments in our IT infrastructure. In the prior year period, we made similar property and equipment investments of \$1.9 million.

*Cash used in financing activities* for the three months ended March 31, 2024 consisted of \$8.3 million of aggregate borrowings and repayments, \$0.2 million of treasury purchases, \$2.6 million of dividend payments, and \$0.2 million payments of payroll taxes on stock-based compensation through shares withheld. In the prior year period, financing activities primarily consisted of \$3.4 million of treasury purchases, \$2.1 million of dividend payments, and \$0.2 million payments of payroll taxes on stock-based compensation through shares withheld.

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

Below is a summary of certain provisions of our credit facility and other contractual obligations. For more information about the restrictive covenants in our credit facility, 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 on Form 10-Q.

*Credit Facility.* Our credit facility extends until March 2025 and is collateralized by our accounts receivable. As of March 31, 2024, our borrowing capacity under the credit facility was up to \$50.0 million. Amounts outstanding under this facility bear interest at the greatest of (i) the prime rate (8.50% at March 31, 2024), (ii) the federal funds effective rate plus 0.50% per annum, and (iii) the daily BSBY Rate, plus 1.00% per annum, provided that the rate shall at no time be less than 0% per annum. In addition, we have the ability to increase our borrowing capacity under the credit facility up to an additional \$30.0 million provided that we meet certain additional borrowing requirements and obtain the consent of the administrative agent. Our credit facility is subject to certain covenant requirements which are described below under "Factors Affecting Sources of Liquidity". We did not have any borrowings outstanding under the credit facility as of March 31, 2024.

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 credit facility are classified as current in our condensed consolidated balance sheets. As of March 31, 2024, the entire \$50.0 million facility was available for borrowing.

*Operating Leases.* We lease facilities from a related party, which is a company affiliated with us through common ownership, and facilities from third parties under non-cancellable operating leases. Certain leases require us to pay real estate taxes, insurance, and common area maintenance charges. See "Item 2. Properties" in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information regarding our operating leases.

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

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

*Credit Facility.* Our credit facility extends until March 2025 and is collateralized by our accounts receivable. As of March 31, 2024, the entire \$50.0 million facility was available for borrowing. 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. Any failure to comply with these covenants would constitute a default and could prevent us from borrowing additional funds under this line of credit. This credit facility contains two financial tests:

- The funded debt ratio (defined as the average outstanding advances under the line for the quarter, divided by the consolidated trailing twelve months Adjusted EBITDA) must not be more than 2.0 to 1.0. Such amount was calculated as 0.0 to 1.0 for the three months ended March 31, 2024, and accordingly, the funded debt ratio did not limit potential borrowings as of March 31, 2024. Future decreases in our consolidated trailing twelve months Adjusted EBITDA could limit our potential borrowings under the line of credit.
- 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 \$609.6 million at March 31, 2024, whereas our actual consolidated stockholders' equity at that date was \$852.7 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 IT industry, our financial performance and stock price, and the state of the capital markets. In addition, market volatility, inflation and interest rate fluctuations may increase our cost of financing or restrict our access to potential sources of future liquidity.

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

Our critical accounting policies and estimates have not materially changed from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2023.

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

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

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For a description of our market risks, see Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2023. No material changes related to our market risks have occurred since December 31, 2023.

**Item 4. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as described above. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

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

### Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial position, and results of operations. Risk factors which could cause actual results to differ materially from those suggested by forward-looking statements include but are not limited to those discussed or identified in this document, in our other public filings with the SEC, and those contained in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, incorporated by reference herein.

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

Repurchases under our stock repurchase program are made from time to time at management's discretion in accordance with applicable federal securities laws. All repurchases of our common stock have been recorded as treasury stock. The following table summarizes information relating to purchases of common stock made by or on our behalf during the quarter ended March 31, 2024 (dollars in thousands, except per share data):

Period	Issuer Purchases of Equity Securities			Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (1)(2)
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	
01/01/24-01/31/24	—	\$ —	—	\$ 32.3
02/01/24-02/29/24	—	—	—	\$ 32.3
03/01/24-03/31/24	2,898	64.40	2,898	\$ 32.1
	<u>2,898</u>	<u>\$ 64.40</u>	<u>2,898</u>	

- (1) We have repurchased in aggregate approximately 2.7 million shares of our common stock for approximately \$47.9 million pursuant to the repurchase program approved by our Board of Directors.
- (2) On March 28, 2001, we announced that our Board of Directors authorized the spending of up to \$15.0 million to repurchase shares of our common stock. On each of February 11, 2014, December 17, 2018, November 22, 2022, and May 1, 2024, our Board of Directors approved increases of \$15.0 million, \$25.0 million, \$25.0 million, and \$40.0 million, respectively, to the repurchase program bringing the aggregate authorized amount under the repurchase program to \$120.0 million. There is no fixed termination date for this repurchase program. Purchases may be made in open-market transactions, block transactions on or off an exchange, or in privately negotiated transactions. The timing and amount of any share repurchases will be based on market conditions and other factors.

### Item 5. Other Information

#### Director and Officer Trading Arrangements

None of our directors or officers (as defined in Rule 16a-1(f)) adopted or terminated a Rule 10b5-1 trading agreement or a non-Rule 10b5-1 trading agreement (as defined in Item 408(c) of Regulation S-K) during the first quarter of 2024.

**Item 6 - Exhibits**

Exhibit Number	Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation of PC Connection, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form S-4 (333-63272) filed on June 19, 2001).</a>
3.2	<a href="#">Amended and Restated Bylaws of PC Connection, Inc. (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K, filed on January 9, 2008).</a>
10.1 *	<a href="#">Director Compensation and Executive Bonus Plan, as amended.</a>
31.1 *	<a href="#">Certification of the Company's President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2 *	<a href="#">Certification of the Company's Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1 *	<a href="#">Certification of the Company's President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2 *	<a href="#">Certification of the Company's Senior Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS *	Inline XBRL Instance Document* - The Instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Presentation Linkbase Document.
104 *	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

\* 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, 2024 and December 31, 2023, (ii) Condensed Consolidated Statements of Income for the three months ended March 31, 2024 and 2023, (iii) Condensed Consolidated Statements of Other Comprehensive Income for the three months ended March 31, 2024 and 2023, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2024 and 2023, (v) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023, and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.

**SIGNATURES**

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

**PC CONNECTION, INC.**

Date: May 1, 2024

By: /s/ TIMOTHY J. MCGRATH

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

Date: May 1, 2024

By: /s/ THOMAS C. BAKER

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

## Director Compensation

Each director is entitled to receive an annual retainer of \$75,000, payable quarterly, for service on the Board. Each independent director also receives an annual retainer of \$20,000, payable quarterly. In addition, Board members who act in a Chair capacity receive annual fees as follows: Board Chair, \$35,000; Board Vice-Chair, \$45,000; Audit Committee Chair, \$10,000; Compensation Committee Chair, \$5,000; and sub-committee Chair, \$5,000. The Chair and members of the CDC receive fees of \$50,000 and \$10,000, respectively, for each quarter in which the committee is actively engaged in the process of developing and evaluating strategic alternatives, including the holding of multiple meetings in the quarter.

## Executive Cash Performance Awards

In 2023, our Board, upon the recommendation of the Compensation Committee, approved the 2023 Cash Performance Awards issued pursuant to the 2020 Stock Incentive Plan. Annual cash performance awards are intended to compensate our executives for the achievement of certain financial performance goals. In 2023, our Board, upon the recommendation of the Compensation Committee, selected company-wide net income and expense leverage goals as the financial performance goals for 2023 with target payments determined based on a percentage of the executive officer's base salary. The Compensation Committee and our Board believe that our success is dependent on the ability of our management group to integrate and work together to meet common company-wide goals. Accordingly, the financial performance goals for 2023 were based on company-wide financial results and not individual goals.

The target payout amounts under the 2023 Cash Performance Awards were equal to 100% of base salary for our Chief Executive Officer and Chief Financial Officer and 75% of base salary for our Chief Administrative Officer. The 2023 Cash Performance Awards also provided incentives for our executives to reach beyond their target corporate goals. If performance exceeded the financial performance goals, the 2023 Cash Performance Awards provided that the executive officers could receive cash payments of up to 170% of their base salary. Proportionally lower payments could be made under the 2023 Cash Performance Awards for achievement levels between 90% and 100% of the financial performance goals, and no amounts would have been paid where less than 90% of the financial performance goal was achieved. In February 2023, our Board, upon the recommendation of our Compensation Committee, approved the following financial performance goals for the 2023 Cash Performance Awards: (i) a consolidated net income goal of \$90.2 million for 2023, reflecting our growth target for the year and (ii) an expense leverage goal to limit 2023 consolidated SG&A expenses as a percentage of billings at 10.44%.

In 2023, our net income was \$83.3 million and SG&A expense as a percentage of billings was 11.03%. This resulted in 92.3% achievement of the net income goal, resulting in a payout of 50% of target level for that performance factor, and 94.3% achievement of the SG&A expense as a percentage of billings goal, resulting in a payout of 50% of target level for that performance factor. Accordingly, we paid our named executive officers an aggregate of \$1.0 million pursuant to their 2023 Cash Performance Awards.

The table below details the payments made to each of our named executive officers pursuant to their respective 2023 Cash Performance Awards:

Name of Executive	2023 Cash Performance	
	Award Payouts	Percentage of Base Salary
Timothy McGrath	\$ 632,500	50 %
Thomas Baker	\$ 206,250	50 %
Patricia Gallup	\$ 122,625	38 %

**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 1, 2024

/s/ TIMOTHY J. MCGRATH

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Timothy J. McGrath  
President and Chief Executive Officer

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**CERTIFICATION**

I, Thomas C. Baker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PC Connection, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2024

/s/ THOMAS C. BAKER

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

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PC Connection, Inc. (the "Company") for the period ended March 31, 2024 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 1, 2024

/s/ TIMOTHY J. MCGRATH

Timothy J. McGrath  
President and Chief Executive Officer

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PC Connection, Inc. (the "Company") for the period ended March 31, 2024 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 1, 2024

/s/ THOMAS C. BAKER

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

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