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

(Mark One)

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

For the quarterly period ended June 30, 2026

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	**02-0513618**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
730 Milford Road **Merrimack, New Hampshire**	**03054**
(Address of principal executive offices)	(Zip Code)

(603) 683-2000

(Registrant's telephone number, including area code)

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

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

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

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

Yes ☑ **No** ☐

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

Yes ☑ **No** ☐

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

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

Yes ☐ **No** ☑

The number of shares outstanding of the issuer’s common stock as of July 22, 2026 was 25,238,099.

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)

	June 30, 2026	December 31, 2025
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 123,717	$ 193,221
Short-term investments	216,973	213,457
Accounts receivable, net	726,823	648,020
Inventories, net	205,095	143,567
Prepaid expenses and other current assets	21,533	22,607
Total current assets	1,294,141	1,220,872
Property and equipment, net	45,762	46,912
Right-of-use assets	7,315	1,569
Goodwill	73,602	73,602
Intangibles, net	473	989
Other assets	6,341	6,981
Total Assets	$ 1,427,634	$ 1,350,925
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 377,556	$ 338,202
Accrued payroll	24,978	30,939
Accrued expenses and other liabilities	46,792	51,251
Total current liabilities	449,326	420,392
Deferred income taxes	18,981	19,905
Non-current operating lease liabilities	6,677	498
Total Liabilities	474,984	440,795
Commitments and Contingencies (Note 8)		
Stockholders' Equity:		
Common stock	296	295
Additional paid-in capital	149,530	144,608
Retained earnings	946,196	905,890
Accumulated other comprehensive (loss) income	(208)	78
Treasury stock, at cost	(143,164)	(140,741)
Total Stockholders' Equity	952,650	910,130
Total Liabilities and Stockholders' Equity	$ 1,427,634	$ 1,350,925

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net sales	$ 853,996	$ 759,693	$ 1,575,862	$ 1,460,739
Cost of sales	696,523	621,927	1,285,652	1,195,662
Gross profit	157,473	137,766	290,210	265,077
Selling, general and administrative expenses	114,461	106,869	223,913	216,728
Severance expenses	—	—	3,060	2,930
Income from operations	43,012	30,897	63,237	45,419
Interest income, net	2,525	3,216	5,888	7,116
Other income	—	—	—	76
Income before taxes	45,537	34,113	69,125	52,611
Income tax provision	(12,369)	(9,324)	(18,734)	(14,341)
Net income	$ 33,168	$ 24,789	$ 50,391	$ 38,270
Earnings per common share:				
Basic	$ 1.31	$ 0.98	$ 2.00	$ 1.49
Diluted	$ 1.31	$ 0.97	$ 1.99	$ 1.48
Shares used in computation of earnings per common share:				
Basic	25,226	25,405	25,214	25,739
Diluted	25,339	25,520	25,309	25,860

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 June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Net income	$ 33,168	$ 24,789	$ 50,391	$ 38,270
Other comprehensive loss:				
Unrealized losses on available-for-sale investments, net of tax of $32 and $76 for the three and six months ended June 30, 2026, respectively, and net of tax of $30 and $60 for the three and six months ended June 30, 2025, respectively	(120)	(114)	(286)	(227)
Comprehensive income	$ 33,048	$ 24,675	$ 50,105	$ 38,043

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 June 30, 2026							
	Common Stock		Additional	Retained	Accumulated Other	Treasury Shares		
	Shares	Amount	Paid-In Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Total
Balance - March 31, 2026	29,566	$ 296	$ 146,575	$ 918,073	$ (88)	(4,346)	$ (143,164)	$ 921,692
Stock-based compensation expense	—	—	2,653	—	—	—	—	2,653
Restricted stock units vested	9	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(300)	—	—	—	—	(300)
Issuance of common stock under Employee Stock Purchase Plan	9	—	602	—	—	—	—	602
Dividend declaration ($0.20 per share)	—	—	—	(5,045)	—	—	—	(5,045)
Net income	—	—	—	33,168	—	—	—	33,168
Other comprehensive loss, net of tax	—	—	—	—	(120)	—	—	(120)
Balance - June 30, 2026	29,584	$ 296	$ 149,530	$ 946,196	$ (208)	(4,346)	$ (143,164)	$ 952,650

	Three Months Ended June 30, 2025							
	Common Stock		Additional	Retained	Accumulated Other	Treasury Shares		
	Shares	Amount	Paid-In Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Total
Balance - March 31, 2025	29,415	$ 294	$ 138,725	$ 847,037	$ 61	(3,787)	$ (109,142)	$ 876,975
Stock-based compensation expense	—	—	2,461	—	—	—	—	2,461
Restricted stock units vested	13	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(399)	—	—	—	—	(399)
Repurchase of common stock for treasury	—	—	—	—	—	(255)	(15,701)	(15,701)
Issuance of common stock under Employee Stock Purchase Plan	10	—	619	—	—	—	—	619
Dividend declaration ($0.15 per share)	—	—	—	(3,810)	—	—	—	(3,810)
Net income	—	—	—	24,789	—	—	—	24,789
Other comprehensive loss, net of tax	—	—	—	—	(114)	—	—	(114)
Balance - June 30, 2025	29,438	$ 294	$ 141,406	$ 868,016	$ (53)	(4,042)	$ (124,843)	$ 884,820

See notes to unaudited condensed consolidated financial statements.

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Six Months Ended June 30, 2026

	Common Stock		Additional	Retained	Accumulated Other	Treasury Shares		
	Shares	Amount	Paid-In Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Total
Balance - December 31, 2025	29,525	$ 295	$ 144,608	$ 905,890	$ 78	(4,304)	$ (140,741)	$ 910,130
Stock-based compensation expense	—	—	5,292	—	—	—	—	5,292
Restricted stock units vested	50	1	(1)	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(971)	—	—	—	—	(971)
Repurchase of common stock for treasury	—	—	—	—	—	(42)	(2,423)	(2,423)
Issuance of common stock under Employee Stock Purchase Plan	9	—	602	—	—	—	—	602
Dividend declaration ($0.20 per share)	—	—	—	(10,085)	—	—	—	(10,085)
Net income	—	—	—	50,391	—	—	—	50,391
Other comprehensive loss, net of tax	—	—	—	—	(286)	—	—	(286)
Balance - June 30, 2026	29,584	$ 296	$ 149,530	$ 946,196	$ (208)	(4,346)	$ (143,164)	$ 952,650

Six Months Ended June 30, 2025

	Common Stock		Additional	Retained	Accumulated Other	Treasury Shares		
	Shares	Amount	Paid-In Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Total
Balance - December 31, 2024	29,390	$ 294	$ 137,036	$ 837,466	$ 174	(3,090)	$ (63,980)	$ 910,990
Stock-based compensation expense	—	—	4,669	—	—	—	—	4,669
Restricted stock units vested	38	—	—	—	—	—	—	—
Shares withheld for taxes paid on stock awards	—	—	(918)	—	—	—	—	(918)
Repurchase of common stock for treasury	—	—	—	—	—	(952)	(60,863)	(60,863)
Issuance of common stock under Employee Stock Purchase Plan	10	—	619	—	—	—	—	619
Dividend declaration ($0.15 per share)	—	—	—	(7,720)	—	—	—	(7,720)
Net income	—	—	—	38,270	—	—	—	38,270
Other comprehensive loss, net of tax	—	—	—	—	(227)	—	—	(227)
Balance - June 30, 2025	29,438	$ 294	$ 141,406	$ 868,016	$ (53)	(4,042)	$ (124,843)	$ 884,820

See notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2026	**2025**
Cash Flows used in Operating Activities:		
Net income	$ 50,391	$ 38,270
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	5,533	5,965
Adjustments to credit losses reserve	1,796	1,058
Stock-based compensation expense	5,292	4,669
Deferred income taxes	(848)	—
Amortization of discount on short-term investments, net	(1,444)	(1,672)
Gain on sale of short-term investments	—	(76)
Loss on disposal of fixed assets	74	20
Changes in assets and liabilities:		
Accounts receivable	(80,599)	(26,662)
Inventories	(61,528)	(38,433)
Prepaid expenses and other current assets	1,074	(4,142)
Other non-current assets	640	(1,629)
Accounts payable	39,328	3,368
Accrued expenses and other liabilities	(9,251)	(6,865)
Net cash used in operating activities	(49,542)	(26,129)
Cash Flows (used in) provided by Investing Activities:		
Purchases of short-term investments	(105,650)	(52,358)
Proceeds from sale of short-term investments	—	108,763
Maturities of short-term investments	103,216	50,000
Purchases of property and equipment	(3,915)	(3,331)
Net cash (used in) provided by investing activities	(6,349)	103,074
Cash Flows used in Financing Activities:		
Proceeds from short-term borrowings	—	732
Repayment of short-term borrowings	—	(732)
Purchase of common stock for treasury shares	(2,481)	(60,464)
Payments for excise tax on purchase of common stock for treasury shares	(678)	(36)
Dividend payments	(10,085)	(7,720)
Issuance of common stock under Employee Stock Purchase Plan	602	619
Payment of payroll taxes on stock-based compensation through shares withheld	(971)	(918)
Net cash used in financing activities	(13,613)	(68,519)
(Decrease) increase in cash and cash equivalents	(69,504)	8,426
Cash and cash equivalents, beginning of period	193,221	178,318
Cash and cash equivalents, end of period	$ 123,717	$ 186,744
Non-cash Investing and Financing Activities:		
Accrued purchases of property and equipment	$ 111	$ 346
Accrued purchase of treasury shares	$ —	$ 66
Accrued excise tax on treasury purchases	$ —	$ 572

See notes to unaudited condensed consolidated financial statements.

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

Note 1–Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of PC Connection, Inc. and its subsidiaries, or the Company, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC, regarding interim financial reporting and in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Such principles were applied on a basis consistent with the accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, 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, 2025.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods reported and of the Company's financial condition as of the date of the interim balance sheet. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through the date of issuance of these financial statements. The operating results for the three and six months ended June 30, 2026 may not be indicative of the results expected for any succeeding quarter or the entire year ending December 31, 2026.

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 $2,487 and $5,664 for the three and six months ended June 30, 2026, respectively, and $3,217 and $7,018 for the three and six months ended June 30, 2025, respectively.

Treasury Stock, at Cost

The total repurchases for the six months ended June 30, 2026 and 2025 were recorded as treasury stock of $2,423 and $60,863, respectively. Such costs reflect the applicable one percent excise tax imposed by the Inflation Reduction Act of 2022 on the net value of certain stock repurchases made after December 31, 2022.

Severance Expenses

The severance expenses recorded for the six months ended June 30, 2026 and 2025 were related to voluntary and involuntary reductions in the Company’s workforce to lower the Company’s cost structure. Both the voluntary and involuntary reductions included cash severance and other related termination benefits. The majority of each of these costs are expected to be paid within a year of the applicable termination. Included in accrued payroll on the condensed consolidated balance sheets as of June 30, 2026 was $606 related to unpaid severance expenses.

Recently Issued Financial Accounting Standards

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

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This guidance provides a practical expedient related to estimating expected credit losses for accounts receivable and contract assets by assuming that current conditions remain unchanged over the life of the asset. This ASU is effective for the Company’s annual reporting periods beginning January 1, 2026, and for interim reporting periods beginning January 1, 2027, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. This guidance was issued to establish new criteria to be considered for capitalization of software costs under Subtopic 350-40, as well as link the disclosure requirements of Subtopic 360-10 to capitalized costs accounted for under Subtopic 350-40. This ASU is effective for the Company’s annual reporting periods beginning January 1, 2028, and for interim reporting periods beginning January 1, 2029, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*. This guidance is intended to improve the navigability of required interim disclosures and clarify when the guidance is applicable, as well as provide additional guidance on what disclosures should be provided in interim reporting periods. This ASU is effective for the Company’s interim reporting periods beginning January 1, 2028, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its condensed 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 June 30, 2026 and 2025, along with the segment for each category (in thousands).

	Three Months Ended June 30, 2026			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 123,005	$ 154,652	$ 61,240	$ 338,897
Desktops	53,221	26,813	16,541	96,575
Software	31,380	38,001	9,524	78,905
Servers/Storage	23,177	25,900	9,178	58,255
Net/Com Products	22,272	27,351	11,042	60,665
Displays and Sound	38,565	23,896	13,979	76,440
Accessories	48,381	26,905	11,531	86,817
Other Hardware/Services	29,619	20,352	7,471	57,442
Total net sales	$ 369,620	$ 343,870	$ 140,506	$ 853,996

	Three Months Ended June 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 97,683	$ 106,075	$ 57,460	$ 261,218
Desktops	57,713	28,559	17,020	103,292
Software	23,389	37,576	7,641	68,606
Servers/Storage	21,724	34,127	15,432	71,283
Net/Com Products	23,532	19,496	11,368	54,396
Displays and Sound	30,052	23,595	13,657	67,304
Accessories	44,142	24,515	10,004	78,661
Other Hardware/Services	27,776	19,225	7,932	54,933
Total net sales	$ 326,011	$ 293,168	$ 140,514	$ 759,693

The following tables represent a disaggregation of revenue from arrangements with customers for the six months ended June 30, 2026 and 2025, along with the segment for each category (in thousands).

	Six Months Ended June 30, 2026			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 247,648	$ 259,231	$ 96,968	$ 603,847
Desktops	104,910	52,068	26,710	183,688
Software	60,165	77,705	19,496	157,366
Servers/Storage	40,987	46,313	16,028	103,328
Net/Com Products	44,035	48,013	18,605	110,653
Displays and Sound	65,532	43,694	24,677	133,903
Accessories	94,970	50,806	21,117	166,893
Other Hardware/Services	57,844	41,602	16,738	116,184
Total net sales	$ 716,091	$ 619,432	$ 240,339	$ 1,575,862

	Six Months Ended June 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Notebooks/Mobility	$ 185,225	$ 208,421	$ 125,038	$ 518,684
Desktops	111,185	52,352	29,879	193,416
Software	56,834	69,762	16,373	142,969
Servers/Storage	39,626	54,417	27,367	121,410
Net/Com Products	41,787	37,511	21,220	100,518
Displays and Sound	53,064	42,903	24,199	120,166
Accessories	83,949	48,175	25,733	157,857
Other Hardware/Services	52,344	38,012	15,363	105,719
Total net sales	$ 624,014	$ 551,553	$ 285,172	$ 1,460,739

Contract Balances

The following table provides information about contract liabilities from arrangements with customers as of June 30, 2026 and December 31, 2025 (in thousands).

	June 30, 2026	December 31, 2025
Contract liabilities, which are included in "Accrued expenses and other liabilities"	$ 9,027	$ 8,801

Changes in the contract liability balances during the six months ended June 30, 2026 and 2025 are as follows (in thousands):

	2026
Balance at December 31, 2025	$ 8,801
Cash received in advance and not recognized as revenue	13,546
Amounts recognized as revenue as performance obligations satisfied	(13,320)
Balance at June 30, 2026	$ 9,027

	2025
Balance at December 31, 2024	$ 10,290
Cash received in advance and not recognized as revenue	25,180
Amounts recognized as revenue as performance obligations satisfied	(25,243)
Balance at June 30, 2025	$ 10,227

Note 3–Fair Value Measurements

Cash equivalents and short-term investments as of June 30, 2026 and December 31, 2025 consist of the following (in thousands):

	June 30, 2026			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	$ 88,021	$ —	$ —	$ 88,021
Short-term investments:				
U.S. Government treasury securities	217,236	—	(263)	216,973
Total	$ 305,257	$ —	$ (263)	$ 304,994

	December 31, 2025			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	$ 170,826	$ —	$ —	$ 170,826
Short-term investments:				
U.S. Government treasury securities	213,358	99	—	213,457
Total	$ 384,184	$ 99	$ —	$ 384,283

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 (loss) 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 June 30, 2026 and December 31, 2025, the fair values of the Company's investments were all measured using level 1 inputs.

Note 4–Earnings Per Share

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

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2026 and 2025 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Numerator:				
Net income	$ 33,168	$ 24,789	$ 50,391	$ 38,270
Denominator:				
Denominator for basic earnings per share	25,226	25,405	25,214	25,739
Dilutive effect of employee stock awards	113	115	95	121
Denominator for diluted earnings per share	25,339	25,520	25,309	25,860
Earnings per share:				
Basic	$ 1.31	$ 0.98	$ 2.00	$ 1.49
Diluted	$ 1.31	$ 0.97	$ 1.99	$ 1.48

For the three and six months ended June 30, 2026 and 2025, the Company had no outstanding non-vested stock units that were excluded from the computation of diluted earnings per share because including them would have had an anti-dilutive effect.

Note 5–Leases

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

As of June 30, 2026, there were no additional significant operating leases that have not yet commenced. Refer to the following table for quantitative information related to the Company's leases for the three and six months ended June 30, 2026 and 2025 (dollars in thousands):

	Three Months Ended June 30, 2026			Six Months Ended June 30, 2026		
	Related Parties	Others	Total	Related Parties	Others	Total
Lease Cost						
Capitalized operating lease cost	$ —	$ 496	$ 496	$ —	$ 1,017	$ 1,017
Short-term lease cost	419	192	611	837	333	1,170
Total lease cost	$ 419	$ 688	$ 1,107	$ 837	$ 1,350	$ 2,187
Other Information						
Cash paid for amounts included in the measurement of lease liabilities and capitalized operating leases:						
Operating cash flows	$ —	$ 391	$ 391	$ —	$ 854	$ 854
Right-of-use assets obtained in exchange for lease obligations						
Operating leases	$ —	$ 555	$ 555	$ —	$ 6,611	$ 6,611
Weighted-average remaining lease term (in years):						
Capitalized operating leases				—	6.51	6.51
Weighted-average discount rate:						
Capitalized operating leases				0.00%	4.64%	4.64%

	Three Months Ended June 30, 2025			Six Months Ended June 30, 2025		
	Related Parties	Others	Total	Related Parties	Others	Total
Lease Cost						
Capitalized operating lease cost	$ —	$ 461	$ 461	$ —	$ 922	$ 922
Short-term lease cost	420	148	568	840	296	1,136
Total lease cost	$ 420	$ 609	$ 1,029	$ 840	$ 1,218	$ 2,058
Other Information						
Cash paid for amounts included in the measurement of lease liabilities and capitalized operating leases:						
Operating cash flows	$ —	$ 512	$ 512	$ —	$ 1,025	$ 1,025
Weighted-average remaining lease term (in years):						
Capitalized operating leases				—	1.63	1.63
Weighted-average discount rate:						
Capitalized operating leases				0.00%	4.32%	4.32%

As of June 30, 2026, future lease payments over the remaining term of capitalized operating leases were as follows (in thousands):

For the Years Ended December 31,		
2026, excluding the six months ended June 30, 2026	$	131
2027		1,543
2028		1,404
2029		1,285
2030		1,281
Thereafter		3,240
	$	8,884
Imputed interest	$	(1,338)
Lease liability balance at June 30, 2026	$	7,546

As of June 30, 2026, the right-of-use, or ROU, asset had a balance of $7,315. The long-term lease liability was $6,677 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was $869. As of December 31, 2025, the ROU asset had a balance of $1,569. The long-term lease liability was $498 and the short-term lease liability, which is included in accrued expenses and other liabilities on the condensed consolidated balance sheets, was $1,290.

Note 6–Accumulated Other Comprehensive (Loss) Income

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

		Six Months Ended June 30, 2026
Balance - December 31, 2025	$	78
Other comprehensive loss before reclassifications, net of tax		(224)
Less amounts reclassified from accumulated other comprehensive (loss) income, net of tax		62
Net other comprehensive loss		(286)
Balance - June 30, 2026	$	(208)

		Six Months Ended June 30, 2025
Balance - December 31, 2024	$	174
Other comprehensive loss before reclassifications, net of tax		(56)
Less amounts reclassified from accumulated other comprehensive (loss) income, net of tax		171
Net other comprehensive loss		(227)
Balance - June 30, 2025	$	(53)

Included in amounts reclassified from accumulated other comprehensive (loss) income, net of tax for the six months ended June 30, 2025 is $76 of realized gain, which is included in "Other income" on the unaudited condensed consolidated statements of income.

Note 7–Segment Information

The internal reporting structure used by the Company's chief operating decision maker, or CODM, to assess performance and allocate resources determines the basis for the Company's operating segments. The Company's operations are organized under three reporting segments—the Enterprise Solutions segment, which serves primarily medium-to-large corporations; the Business Solutions segment, which serves primarily small- to medium-sized businesses; and the Public Sector Solutions segment, which serves primarily federal, state, and local government and educational institutions. In addition, the Headquarters/Other provides services in areas such as finance, human resources, IT, marketing, and product management. Most of the operating costs associated with the Headquarters/Other functions are charged to the operating segments based on their estimated usage of the underlying functions. The Company reports these charges to the operating segments as "Allocations". Headquarters/Other amounts that are not allocated to the operating segments are shown as reconciling items in the tables below.

The Company's CODM is its Chief Executive Officer, and he assesses the segments' performance by using each segment's operating income (which includes certain corporate overhead allocations attributable to each of the segments). Net sales presented below exclude inter-segment product revenues. The CODM uses operating income for each segment in the annual budget, periodic forecasting, and quarterly results processes.

Segment information applicable to the Company's operating segments and the related reconciliations to consolidated amounts for the three and six months ended June 30, 2026 and 2025 are shown below (in thousands):

	Three Months Ended June 30, 2026			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	$ 369,620	$ 343,870	$ 140,506	$ 853,996
Cost of sales	314,475	264,789	117,260	
Personnel costs	18,026	17,900	9,209	
Marketing	1,591	4,540	1,246	
Allocated corporate overhead	18,955	22,796	11,398	
Depreciation and amortization	149	104	9	
Other segment expenses[1]	1,359	2,010	1,468	
Operating income (loss)	$ 15,065	$ 31,731	$ (84)	$ 46,712
Unallocated Headquarters/Other expenses				(3,700)
Interest income, net				2,525
Income before taxes				$ 45,537

	Three Months Ended June 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	$ 326,011	$ 293,168	$ 140,514	$ 759,693
Cost of sales	278,389	224,319	119,219	
Personnel costs	16,995	17,662	9,273	
Marketing	787	2,564	575	
Allocated corporate overhead	18,069	21,521	10,761	
Depreciation and amortization	195	155	22	
Other segment expenses[1]	1,230	1,383	2,796	
Operating income (loss)	$ 10,346	$ 25,564	$ (2,132)	$ 33,778
Unallocated Headquarters/Other expenses				(2,881)
Interest income, net				3,216
Income before taxes				$ 34,113

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

	Six Months Ended June 30, 2026			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	$ 716,091	$ 619,432	$ 240,339	$ 1,575,862
Cost of sales	610,721	472,848	202,083	
Personnel costs	35,939	35,853	17,011	
Marketing	3,346	7,774	1,984	
Allocated corporate overhead	37,718	45,370	22,683	
Depreciation and amortization	346	258	25	
Other segment expenses[1]	2,255	3,713	2,691	
Operating income (loss)	$ 25,766	$ 53,616	$ (6,138)	$ 73,244
Unallocated Headquarters/Other expenses				(10,007)
Interest income, net				5,888
Income before taxes				$ 69,125
Segment assets	$ 797,889	$ 693,380	$ 102,459	$ 1,593,728
Headquarters/Other assets				(166,094)
Consolidated assets				$ 1,427,634

	Six Months Ended June 30, 2025			
	Enterprise Solutions	Business Solutions	Public Sector Solutions	Total
Net sales	$ 624,014	$ 551,553	$ 285,172	$ 1,460,739
Cost of sales	534,094	417,297	244,271	
Personnel costs	33,165	35,437	18,859	
Marketing	2,884	7,403	1,659	
Allocated corporate overhead	36,359	42,997	21,499	
Depreciation and amortization	387	310	45	
Other segment expenses[1]	2,277	4,128	4,313	
Operating income (loss)	$ 14,848	$ 43,981	$ (5,474)	$ 53,355
Unallocated Headquarters/Other expenses				(7,936)
Interest income, net				7,116
Other income				76
Income before taxes				$ 52,611
Segment assets	$ 753,931	$ 591,894	$ 88,650	$ 1,434,475
Headquarters/Other assets				(165,198)
Consolidated assets				$ 1,269,277

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

The assets of the Company's three operating segments presented above consist primarily of accounts receivable, net intercompany receivables, goodwill, and other intangibles, net. Assets reported under the Headquarters/Other are managed by corporate headquarters, including cash and cash equivalents, short-term investments, inventories, property and equipment, ROU assets, and intercompany balance, net. As of June 30, 2026 and 2025, total assets for the Headquarters/Other were presented net of intercompany balance eliminations of $64,232 and $46,339, respectively. The Company's capital expenditures consist largely of IT hardware and software purchased to maintain or upgrade its management information systems. These information systems serve all of the Company's segments, to varying degrees, and accordingly, the CODM does not evaluate capital expenditures on a segment-by-segment basis.

Note 8–Commitments and Contingencies

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

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

Note 9–Bank Borrowings

The Company previously had a $50,000 credit facility collateralized by its account receivables that expired March 31, 2025 that the Company elected not to renew or replace. Amounts outstanding under the credit facility bore interest at the daily Bloomberg Short-Term Bank Yield Index, or BSBY Rate, plus a spread based on the Company's funded debt ratio, or in the absence of BSBY Rate, the prime rate (7.50% at March 31, 2025).

Cash receipts were automatically applied against any outstanding borrowings. During the three months ended March 31, 2025, the Company borrowed incremental amounts that were each repaid in full. These borrowings for the three months ended March 31, 2025 totaled $732; however, at no time were the outstanding borrowings greater than the $50,000 limit under the credit facility. The Company had no outstanding borrowings under the credit facility immediately prior to the expiration of the credit facility.

Note 10–Supplier Finance Programs

The Company has agreements with third-party financial institutions, instituted by request of participating suppliers, that allow for the ability to finance payment obligations from the Company. The third-party financial institutions have separate arrangements with the Company's suppliers and provide them with the option to request early payment for invoices confirmed by the Company. The Company does not determine the terms or conditions of the arrangements between the third-parties and its suppliers and receives no compensation from the third-party financial institutions. The Company's obligation to its suppliers, including amounts due and scheduled payment dates, are not impacted by the suppliers' decisions to finance amounts under the arrangements. The payment terms under these arrangements are typical with industry standards and range from 30 to 50 days. The agreements with the financial institutions are collateralized by the inventory purchased through the financing agreements. The Company's outstanding payment obligations under the supplier finance programs, which are included in accounts payable on the condensed consolidated balance sheets, were $65,657 and $58,563 at June 30, 2026 and December 31, 2025, respectively.

Note 11–Supplemental Cash Flow Information

Income taxes paid, net of refunds received for the six months ended June 30, 2026 was $13,781. Income taxes paid for the six months ended June 30, 2025 was $18,171.

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

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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

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

- *macroeconomic factors facing the global economy, including disruptions in or increased volatility of the capital markets, changes in trade policy, which may include the imposition of tariffs or other trade barriers, economic sanctions and economic slowdowns or recessions, government shutdowns, the impact of conflicts in Iran and the Middle East, changes in tax policy, rising inflation and changing interest rates modifying our potential for investment income and the timing thereof or reducing the level of investment our customers are willing to make in IT products;*
- *supply constraints, such as the global memory (DRAM and NAND) shortage;*
- *substantial competition reducing our market share;*
- *significant price competition reducing our profit margins;*
- *the loss of any of our major vendors adversely affecting the number or type of products we may offer;*
- *virtualization of information technology, or IT, resources and applications, including networks, servers, applications, and data storage disrupting or altering our traditional distribution models;*
- *service interruptions at third-party shippers negatively impacting our ability to deliver the products we offer to our customers;*
- *increases in shipping and postage costs reducing our margins and adversely affecting our results of operations;*
- *loss of key persons or the inability to attract, train and retain qualified personnel adversely affecting our ability to operate our business; and*
- *cyberattacks or the failure to safeguard personal information and our IT systems resulting in liability and harm to our reputation.*

Additional factors include those described in our Annual Report on Form 10-K for the year ended December 31, 2025, including under the captions "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," in our subsequent quarterly reports on Form 10-Q, including under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in the other subsequent filings we make with the Securities and Exchange Commission from time to time.

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

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

OVERVIEW

We are a Fortune 1000 Global Solutions Provider that simplifies IT, 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, security, artificial intelligence, software and peripheral equipment, networking communications, and other products and accessories that we develop internally and secure from manufacturers, distributors, and other suppliers. Our Technology Solutions and Services Organization, or TSSO, and state-of-the-art ISO 9001:2015 SOC 2 Type 2 certified Technology Integration and Distribution Center 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., HP Inc., Hewlett-Packard Enterprise, Intel, Lenovo, Microsoft Corporation, and VMware by Broadcom, and we partner with more than 1,600 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 TSSO, we are able to provide customers complete IT solutions, from identifying their needs, to designing, developing, and managing the integration of products and services to implement their IT projects. Such service offerings carry higher margins than traditional product sales. Additionally, the technical certifications of our service engineers permit us to offer higher-end, more complex products that generally carry higher gross margins. We expect these service offerings and technical certifications to continue to play a role in sales generation and gross margin improvements in this competitive environment.

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

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

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

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

The ongoing global memory shortage (DRAM and NAND) could result in increased inventory costs, which may reduce our margins or require us to raise prices. The memory shortage could additionally result in a lack of availability of products, which could negatively impact our results of operations. As a result of these ongoing and anticipated shortages, we may purchase product in advance of customer orders, while customers may accelerate or delay purchasing depending on their capital resources.

The U.S. administration has announced or imposed a series of tariffs on U.S. trading partners. In response, several countries have threatened or imposed retaliatory measures. The imposition of new tariffs or increases in existing tariffs on goods imported from countries where our suppliers operate could result in increased inventory costs. These cost increases may reduce our margins or require us to raise prices. We continue to assess the impact of the tariffs on our supply chain. In addition, these actions and threatened actions and increased volatility in financial markets may affect customer decisions about the timing or size of IT investments.

KEY OPERATING METRIC

Gross Billings

We utilize key operating metrics to track and assess the performance of our business, including gross billings. Gross billings is the total dollar value of goods and services billed during the period, net of customer returns, credit memos, and any applicable sales or other taxes and includes agency fees, and freight. As certain transactions are recognized on a net basis, gross billings include amounts not recognized in net sales.

We use the gross billings operating metric for planning, forecasting, and evaluating the sales performance of our operating segments by providing insight into the total value of our business transactions. We believe that gross billings provides the same insight to investors.

The following table sets forth the gross billings for each of our operating segments and our consolidated entity (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Gross billings				
Enterprise Solutions	$ 477.0	$ 407.5	$ 916.6	$ 806.3
Business Solutions	496.1	425.1	942.1	833.1
Public Sector Solutions	197.1	193.8	332.8	366.0
Total gross billings	$ 1,170.2	$ 1,026.4	$ 2,191.5	$ 2,005.4

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 June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net sales	$ 854.0	$ 759.7	$ 1,575.9	$ 1,460.7
Gross margin	18.4 %	18.1 %	18.4 %	18.1 %
Selling, general and administrative expenses	13.4 %	14.1 %	14.2 %	14.8 %
Income from operations	5.0 %	4.1 %	4.0 %	3.1 %

Net sales of $854.0 million for the second quarter of 2026 reflect an increase of $94.3 million, or 12.4% compared to the second quarter of 2025. The increase was primarily driven by increases in net sales of notebooks/mobility, software, displays and sound, accessories, net/com products, and other hardware/services of $77.7 million, $10.3 million, $9.1 million, $8.2 million, $6.3 million, and $2.5 million, respectively, as shown in the table in Note 2, "Revenue," in the Notes to our Unaudited Condensed Consolidated Financial Statements. These increases were partially offset by decreases in net sales of servers/storage and desktops of $13.0 million and $6.7 million, respectively. Gross profit for the second quarter of 2026 increased year-over-year by $19.7 million, or 14.3%, to $157.5 million as illustrated in the table and the discussion beginning on page 22 of this Quarterly Report on Form 10-Q. Gross margin increased to 18.4% from 18.1% a year ago. The increase in gross margin was primarily driven by improved invoice margins in accessories and other hardware/services primarily due to changes in customer mix, as well as an increase in the amount of software sales recognized on a net basis as these sales are recognized in the financial statements at 100% margin. SG&A expenses as a percentage of net sales decreased to 13.4% compared to 14.1% a year ago, primarily due to the increase in net sales as discussed above. Operating income as a percentage of net sales increased to 5.0% compared to 4.1% a year ago, primarily due to the increases in net sales and gross profit as discussed above.

Net Sales Distribution

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Operating Segment				
Enterprise Solutions	43 %	43 %	46 %	43 %
Business Solutions	40	39	39	38
Public Sector Solutions	17	18	15	19
Total	100 %	100 %	100 %	100 %
Product Mix				
Notebooks/Mobility	40 %	34 %	38 %	36 %
Desktops	11	14	12	13
Software	9	9	10	10
Servers/Storage	7	9	7	8
Net/Com Products	7	7	7	7
Displays and Sound	9	9	8	8
Accessories	10	10	11	11
Other Hardware/Services	7	8	7	7
Total	100 %	100 %	100 %	100 %

Gross Profit Margin

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Operating Segment				
Enterprise Solutions	14.9 %	14.6 %	14.7 %	14.4 %
Business Solutions	23.0	23.5	23.7	24.3
Public Sector Solutions	16.5	15.2	15.9	14.3
Total Company	18.4 %	18.1 %	18.4 %	18.1 %

Operating Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Personnel costs	$ 85.8	$ 81.2	$ 170.3	$ 164.1
Marketing	7.9	4.4	14.0	12.4
Service contracts/subscriptions	7.2	6.4	14.0	13.2
Professional fees	2.8	4.9	5.7	8.1
Depreciation and amortization	2.7	2.9	5.5	6.0
Facilities operations	1.9	1.9	3.9	3.7
Credit card fees	1.6	1.6	3.0	3.0
Other	4.6	3.6	7.5	6.2
Total SG&A expense	$ 114.5	$ 106.9	$ 223.9	$ 216.7
As a percentage of net sales	13.4 %	14.1 %	14.2 %	14.8 %

Severance Expenses

There were no severance expenses incurred during the three months ended June 30, 2026 and 2025. During the six months ended June 30, 2026 and 2025, we undertook actions to lower our cost structure. In connection with these initiatives, we incurred severance expenses of $3.1 million and $2.9 million for the six months ended June 30, 2026 and 2025, respectively. The severance expenses were related to voluntary and involuntary reductions in our workforce. Both the voluntary and involuntary reductions included cash severance and other related termination benefits. The majority of each of these costs are expected to be paid within a year of the applicable termination and any unpaid balances are included in accrued payroll on the condensed consolidated balance sheets as of June 30, 2026.

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 June 30, 2026 and the three months ended June 30, 2025, and changes between the six months ended June 30, 2026 and the six months ended June 30, 2025.

Three Months Ended June 30, 2026 Compared to Three Months Ended June 30, 2025

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

	Three Months Ended June 30,					
	2026		2025			
	Amount	% of Net Sales	Amount	% of Net Sales	$ Change	% Change
Net Sales:						
Enterprise Solutions	$ 369.6	43.2 %	$ 326.0	42.9 %	$ 43.6	13.4 %
Business Solutions	343.9	40.3	293.2	38.6	50.7	17.3
Public Sector Solutions	140.5	16.5	140.5	18.5	—	—
Total	$ 854.0	100.0 %	$ 759.7	100.0 %	$ 94.3	12.4 %
Gross Profit:						
Enterprise Solutions	$ 55.2	14.9 %	$ 47.6	14.6 %	$ 7.6	15.8 %
Business Solutions	79.1	23.0	68.9	23.5	10.2	14.9
Public Sector Solutions	23.2	16.5	21.3	15.2	1.9	9.2
Total	$ 157.5	18.4 %	$ 137.8	18.1 %	$ 19.7	14.3 %

Net sales increased for the second quarter of 2026 compared to the second quarter of 2025, as explained by the year-over-year changes discussed below:

- Net sales of $369.6 million for the Enterprise Solutions segment reflect an increase of $43.6 million, or 13.4%. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, displays and sound, software, accessories, other hardware/services, and servers/storage of $25.3 million, $8.5 million, $8.0 million, $4.2 million, $1.8 million, and $1.5 million, respectively. These increases were partially offset by decreases in net sales of desktops and net/com products of $4.5 million and $1.3 million, respectively.

- Net sales of $343.9 million for the Business Solutions segment reflect an increase of $50.7 million, or 17.3%. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, net/com products, accessories, and other hardware/services of $48.6 million, $7.9 million, $2.4 million, and $1.1 million, respectively. These increases were partially offset by decreases in net sales of servers/storage and desktops of $8.2 million and $1.7 million, respectively.

- Net sales of $140.5 million for the Public Sector Solutions segment were substantially the same as in the second quarter of 2025. Sales to the federal government decreased by $6.8 million, or 24.7%, compared to the prior year quarter, while sales to state and local government and educational institutions increased by $6.8 million, or 6.0%. Increases in net sales of notebooks/mobility, software, accessories, and displays and sound of $3.8 million, $1.9 million, $1.5 million, and $0.3 million, respectively, were offset by decreases in net sales of servers/storage, desktops, other hardware/services, and net/com products of $6.3 million, $0.5 million, $0.5 million, and $0.3 million, respectively.

Gross profit for the second quarter of 2026 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross profit for the Enterprise Solutions segment increased by $7.6 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph.

- Gross profit for the Business Solutions segment increased by $10.2 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph.

- Gross profit for the Public Sector Solutions segment increased by $1.9 million primarily as a result of improved invoice margins in notebooks/mobility primarily due to changes in customer mix.

Gross margin for the second quarter of 2026 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross margin for the Enterprise Solutions segment increased by 30 basis points primarily as a result of an increase in the amount of software sales recognized on a net basis, as well as improved invoice margins in other hardware/services primarily due to changes in customer mix.

- Gross margin for the Business Solutions segment decreased by 50 basis points primarily as a result of a shift in product mix to sales of lower-margin notebooks/mobility.

- Gross margin for the Public Sector Solutions segment increased by 130 basis points primarily as a result of improved invoice margins in notebooks/mobility primarily due to changes in customer mix, as well as an increase in the amount of software sales recognized on a net basis.

Selling, general and administrative expenses for the second quarter of 2026 increased in dollars but decreased as a percentage of net sales compared to the second quarter of 2025. SG&A expenses attributable to our three segments and the remaining unallocated Headquarters/Other expenses are summarized in the table below (dollars in millions):

	Three Months Ended June 30,					
	2026		2025			
	Amount	% of Segment Net Sales	Amount	% of Segment Net Sales	$ Change	% Change
Enterprise Solutions	$ 40.1	10.8 %	$ 37.3	11.4 %	$ 2.8	7.5 %
Business Solutions	47.4	13.8	43.3	14.8	4.1	9.4
Public Sector Solutions	23.3	16.6	23.4	16.7	(0.1)	(0.4)
Headquarters/Other, unallocated	3.7		2.9		0.8	28.3
Total	$ 114.5	13.4 %	$ 106.9	14.1 %	$ 7.6	7.1 %

- SG&A expenses for the Enterprise Solutions segment increased year-over-year in dollars but decreased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to increases in personnel costs, use of shared Headquarter services, and marketing of $1.0 million, $0.9 million, and $0.8 million, respectively. SG&A expenses as a percentage of net sales were 10.8% for the Enterprise Solutions segment for the second quarter of 2026, which reflects a decrease of 60 basis points and is primarily due to the increase in net sales as discussed above.

- SG&A expenses for the Business Solutions segment increased year-over-year in dollars but decreased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to increases in marketing, use of shared Headquarter services, and other expenses of $2.0 million, $1.3 million, and $0.5 million, respectively. SG&A expenses as a percentage of net sales were 13.8% for the Business Solutions segment for the second quarter of 2026, which reflects a decrease of 100 basis points and is primarily due to the increase in net sales as discussed above.

- SG&A expenses for the Public Sector Solutions segment remained substantially the same year-over-year both in dollars and as a percentage of net sales. A decrease in professional fees of $1.5 million was substantially offset by increases in marketing and use of shared Headquarter services of $0.7 million and $0.6 million, respectively.

- SG&A expenses for the Headquarters/Other increased year-over-year by $0.8 million primarily due to an increase in personnel costs of $3.3 million, partially offset by an increase in the allocated amounts to the operating segments of $2.8 million. The Headquarters/Other provides services to the three segments in areas such as finance, distribution center, human resources, IT, marketing, and product management. Most of the operating costs associated with such corporate Headquarters/Other services are charged to the segments based on their estimated allocation usage of the underlying services.

Income from operations for the second quarter of 2026 was $43.0 million, compared to $30.9 million for the second quarter of 2025. Income from operations as a percentage of net sales increased to 5.0% for the second quarter of 2026, compared to 4.1% for the prior year quarter. The increase in income from operations both in dollars and as a percentage of net sales is primarily due to the increases in net sales and gross profit as discussed above.

Interest income, net for the second quarter of 2026 decreased to $2.5 million, compared to $3.2 million for the second quarter of 2025, primarily due to a decrease in interest income of $0.7 million. The decrease in interest income is primarily a result of lower cash equivalent balances in the current period combined with lower realized interest rates in the current period.

Income taxes. Our provision for income taxes for the second quarter of 2026 increased to $12.4 million, compared to $9.3 million for the second quarter of 2025. The increase in our provision for income taxes was primarily due to the increase in income before taxes. Our effective tax rate was 27.2% for the quarter ended June 30, 2026, compared to 27.3% for the quarter ended June 30, 2025.

Net income for the second quarter of 2026 increased to $33.2 million, compared to $24.8 million for the second quarter of 2025, primarily due to the increase in income from operations, partially offset by the decrease in interest income, net and the increase in our provision for income taxes, as discussed above.

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

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

	Six Months Ended June 30,					
	2026		2025			
	Amount	% of Net Sales	Amount	% of Net Sales	$ Change	% Change
Net Sales:						
Enterprise Solutions	$ 716.1	45.4 %	$ 624.0	42.7 %	$ 92.1	14.8 %
Business Solutions	619.4	39.3	551.5	37.8	67.9	12.3
Public Sector Solutions	240.4	15.3	285.2	19.5	(44.8)	(15.7)
Total	$ 1,575.9	100.0 %	$ 1,460.7	100.0 %	$ 115.2	7.9 %
Gross Profit:						
Enterprise Solutions	$ 105.4	14.7 %	$ 89.9	14.4 %	$ 15.5	17.2 %
Business Solutions	146.6	23.7	134.3	24.3	12.3	9.2
Public Sector Solutions	38.2	15.9	40.9	14.3	(2.7)	(6.5)
Total	$ 290.2	18.4 %	$ 265.1	18.1 %	$ 25.1	9.5 %

Net sales increased for the six months ended June 30, 2026 compared to the six months ended June 30, 2025, as explained by the year-over-year changes discussed below:

- Net sales of $716.1 million for the Enterprise Solutions segment reflect an increase of $92.1 million, or 14.8%. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, displays and sound, accessories, other hardware/services, software, net/com products, and servers/storage of $62.4 million, $12.5 million, $11.0 million, $5.5 million, $3.3 million, $2.2 million, and $1.4 million, respectively. These increases were partially offset by a decrease in net sales of desktops of $6.3 million.

- Net sales of $619.4 million for the Business Solutions segment reflect an increase of $67.9 million, or 12.3%. The increase in net sales is primarily due to increases in net sales of notebooks/mobility, net/com products, software, other hardware/services, and accessories of $50.8 million, $10.5 million, $7.9 million, $3.6 million, and $2.6 million, respectively. These increases were partially offset by a decrease in net sales of servers/storage of $8.1 million.

- Net sales of $240.4 million for the Public Sector Solutions segment reflect a decrease of $44.8 million, or 15.7%. Sales to the federal government decreased by $48.9 million, or 57.4%, compared to the prior year period, primarily due to a few large orders in the prior period that did not repeat. Sales to state and local government and educational institutions increased by $4.1 million, or 2.0%. The decrease in net sales is primarily due to decreases in net sales of notebooks/mobility, servers/storage, accessories, desktops, and net/com products of $28.1 million, $11.3 million, $4.6 million, $3.2 million, and $2.6 million, respectively. These decreases were partially offset by increases in net sales of software and other hardware/services of $3.1 million and $1.4 million, respectively.

Gross profit for the six months ended June 30, 2026 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross profit for the Enterprise Solutions segment increased by $15.5 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph.
- Gross profit for the Business Solutions segment increased by $12.3 million year-over-year primarily due to the increase in net sales as discussed in the preceding paragraph.
- Gross profit for the Public Sector Solutions segment decreased by $2.7 million year-over-year primarily due to the decrease in net sales as discussed in the preceding paragraph.

Gross margin for the six months ended June 30, 2026 increased year-over-year, as explained by the year-over-year changes discussed below:

- Gross margin for the Enterprise Solutions segment increased by 30 basis points primarily as a result of improved invoice margins in other hardware/services primarily due to changes in customer mix.
- Gross margin for the Business Solutions segment decreased by 60 basis points primarily as a result of decreases in invoice margins in desktops and notebooks/mobility primarily due to changes in customer mix.
- Gross margin for the Public Sector Solutions segment increased by 160 basis points primarily due to an increase in the amount of software sales recognized on a net basis, as well as a few low-margin deals in the prior period that did not repeat.

Selling, general and administrative expenses for the six months ended June 30, 2026 increased in dollars but decreased as a percentage of net sales compared to the six months ended June 30, 2025. SG&A expenses attributable to our three segments and the remaining unallocated Headquarters/Other expenses are summarized in the table below (dollars in millions):

	Six Months Ended June 30,					
	2026		2025			
	Amount	% of Segment Net Sales	Amount	% of Segment Net Sales	$ Change	% Change
Enterprise Solutions	$ 79.4	11.1 %	$ 75.1	12.0 %	$ 4.3	5.8 %
Business Solutions	92.7	15.0	88.6	16.1	4.1	4.6
Public Sector Solutions	43.8	18.2	46.4	16.3	(2.6)	(5.5)
Headquarters/Other, unallocated	8.0		6.6		1.4	19.9
Total	$ 223.9	14.2 %	$ 216.7	14.8 %	$ 7.2	3.3 %

- SG&A expenses for the Enterprise Solutions segment increased year-over-year in dollars but decreased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to increases in personnel costs and use of shared Headquarter services of $2.8 million and $1.4 million, respectively. SG&A expenses as a percentage of net sales were 11.1% for the Enterprise Solutions segment for the six months ended June 30, 2026, which reflects a decrease of 90 basis points and is primarily due to the increase in net sales as discussed above.
- SG&A expenses for the Business Solutions segment increased year-over-year in dollars but decreased as a percentage of net sales. The year-over-year change in SG&A dollars was primarily attributable to increases in use of shared Headquarter services, other expenses, personnel costs, and marketing of $2.4 million, $0.7

million, $0.4 million, and $0.4 million, respectively. SG&A expenses as a percentage of net sales were 15.0% for the Business Solutions segment for the six months ended June 30, 2026, which reflects a decrease of 110 basis points and is primarily due to the increase in net sales as discussed above.

- SG&A expenses for the Public Sector Solutions segment decreased 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 decreases in professional fees and personnel costs of $2.2 million and $1.8 million, respectively, partially offset by an increase in use of shared Headquarter services of $1.2 million. SG&A expenses as a percentage of net sales were 18.2% for the Public Sector Solutions segment for the six months ended June 30, 2026, which reflects an increase of 190 basis points and is primarily due to the decrease in net sales as discussed above.

- SG&A expenses for the Headquarters/Other increased year-over-year by $1.4 million primarily due to increases in personnel costs, service contracts/subscriptions, and marketing of $4.9 million, $0.8 million, and $0.4 million, respectively, partially offset by an increase in the allocated amounts to the operating segments of $4.9 million. The Headquarters/Other provides services to the three segments in areas such as finance, distribution center, human resources, IT, marketing, and product management. Most of the operating costs associated with such corporate Headquarters/Other services are charged to the segments based on their estimated allocation usage of the underlying services.

Severance expenses for the six months ended June 30, 2026 were $3.1 million, compared to $2.9 million for the six months ended June 30, 2025. The severance expenses were related to voluntary and involuntary reductions in our workforce to lower our cost structure and included cash severance and other related termination benefits.

Income from operations for the six months ended June 30, 2026 was $63.2 million, compared to $45.4 million for the six months ended June 30, 2025. Income from operations as a percentage of net sales increased to 4.0% for the six months ended June 30, 2026, compared to 3.1% for the prior year period. The increase in income from operations both in dollars and as a percentage of net sales is primarily due to the increases in net sales and gross profit as discussed above.

Interest income, net for the six months ended June 30, 2026 decreased to $5.9 million, compared to $7.1 million for the six months ended June 30, 2025, primarily due to a decrease in interest income of $1.2 million. The decrease in interest income is primarily a result of lower cash equivalent balances in the current period combined with lower realized interest rates in the current period.

Income taxes. Our provision for income taxes for the six months ended June 30, 2026 increased to $18.7 million, compared to $14.3 million for the six months ended June 30, 2025. The increase in our provision for income taxes was primarily due to the increase in income before taxes. Our effective tax rate was 27.1% for the six months ended June 30, 2026, compared to 27.3% for the six months ended June 30, 2025.

Net income for the six months ended June 30, 2026 increased to $50.4 million, compared to $38.3 million for the six months ended June 30, 2025, primarily due to the increase in income from operations, partially offset by the decrease in interest income, net and the increase in our provision for income taxes, as discussed above.

Liquidity and Capital Resources

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

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

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

- *Cash and Cash Equivalents*. As of June 30, 2026, we had $123.7 million in cash and cash equivalents.
- *Short-term Investments*. As of June 30, 2026, we had $217.0 million in short-term investments.
- *Cash Generated from Operations*. We expect to generate cash flows from operations in excess of operating cash needs by generating earnings and managing net changes in inventories and receivables with changes in payables to generate positive cash flow.

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

Dividends

A summary of 2026 dividend activity for our common stock is as follows:

Dividend Amount		Declaration Date	Record Date	Payment Date
$	0.20	February 3, 2026	February 17, 2026	March 6, 2026
$	0.20	April 28, 2026	May 12, 2026	May 29, 2026

On July 29, 2026, we announced that our Board of Directors declared a quarterly cash dividend on our common stock of $0.20 per share. The dividend will be paid on August 28, 2026 to all stockholders of record as of the close of business on August 11, 2026. 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 six months ended June 30, 2026 and 2025, 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):

	Six Months Ended June 30,	
	2026	2025
Net cash used in operating activities	$ (49.5)	$ (26.2)
Net cash (used in) provided by investing activities	(6.4)	103.1
Net cash used in financing activities	(13.6)	(68.5)
(Decrease) increase in cash and cash equivalents	$ (69.5)	$ 8.4

Cash used in operating activities is summarized as follows (in millions):

	Six Months Ended June 30,		
	2026	2025	Change
Net income	$ 50.4	$ 38.3	$ 12.1
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	5.5	6.0	(0.5)
Adjustments to credit losses reserve	1.8	1.1	0.7
Stock-based compensation expense	5.3	4.7	0.6
Deferred income taxes	(0.8)	—	(0.8)
Amortization of discount on short-term investments, net	(1.4)	(1.7)	0.3
Other adjustments	0.1	(0.3)	0.4
Changes in assets and liabilities:			
Accounts receivable	(80.6)	(26.7)	(53.9)
Inventories	(61.5)	(38.4)	(23.1)
Prepaid expenses and other current assets	1.1	(4.1)	5.2
Other non-current assets	0.6	(1.6)	2.2
Accounts payable	39.3	3.4	35.9
Accrued expenses and other liabilities	(9.3)	(6.9)	(2.4)
Net cash used in operating activities	$ (49.5)	$ (26.2)	$ (23.3)

The decrease in net cash from operating activities of $23.3 million for the six months ended June 30, 2026 was primarily attributable to changes in accounts receivable, accounts payable, and inventories of $53.9 million, $35.9 million, and $23.1 million, respectively. The change in cash from operating activities attributable to accounts receivable is primarily driven by the timing of collections. The change in cash from operating activities attributable to accounts payable is primarily due to the timing of payments. The change in cash from operating activities attributable to inventories is primarily due to an increase in inventory purchases related to customer rollouts and management's decision to secure supply.

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:

	June 30,	
(in days)	2026	2025
Days of sales outstanding (DSO)(1)	71	68
Days of supply in inventory (DIO)(2)	27	20
Days of purchases outstanding (DPO)(3)	(49)	(44)
Cash conversion cycle	49	44

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

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

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

The cash conversion cycle increased to 49 days at June 30, 2026, compared to 44 days at June 30, 2025, as evidenced in the above cash conversion table. The increase in DSO is primarily due to the increase in trade receivables as of June 30, 2026 compared to June 30, 2025. The increase in DIO is primarily due to the increase in inventory as of June 30, 2026 compared to June 30, 2025. The increase in DPO is primarily due to the increase in accounts payable as of June 30, 2026 compared to June 30, 2025.

Cash (used in) provided by investing activities for the six months ended June 30, 2026 consisted of $105.7 million of purchases of U.S. Government treasury securities, $103.2 million of maturities of U.S. Government treasury securities, and $3.9 million of purchases of property and equipment. The property and equipment expenditures were primarily for computer equipment and capitalized internally developed software in connection with investments in our IT infrastructure. In the prior year period, investing activities consisted of $52.4 million of purchases of U.S. Government treasury securities, $108.8 million of sales of U.S. Government treasury securities, $50.0 million of maturities of U.S. Government treasury securities, and $3.3 million of purchases of property and equipment.

Cash used in financing activities for the six months ended June 30, 2026 consisted of $10.1 million of dividend payments, $2.5 million of treasury purchases, $0.7 million of excise tax payments on treasury purchases, $0.6 million of issuances of stock under the Employee Stock Purchase Plan, and $1.0 million of payments of payroll taxes on stock-based compensation through shares withheld. In the prior year period, financing activities consisted of $0.7 million of aggregate borrowings and repayments, $60.5 million of treasury purchases, $7.7 million of dividend payments, $0.6 million of issuances of stock under the Employee Stock Purchase Plan, and $0.9 million of payments of payroll taxes on stock-based compensation through shares withheld.

Contractual Agreements

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

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

Operating Leases. We lease facilities, including our corporate headquarters and a facility adjacent to our corporate headquarters, from a related party, which is a company affiliated with us through common ownership. The lease agreements of these two Merrimack, New Hampshire facilities have expired. We continue to occupy the facilities on a month-to-month basis under the terms of the prior written lease agreements. It is our intention to enter into a written, long-term lease for our corporate headquarters. We do not expect to occupy the adjacent facility long term, and accordingly we do not intend to enter into a written, long-term lease for the adjacent facility. We also lease facilities from third parties under non-cancelable operating leases. Certain leases require us to pay real estate taxes, insurance, and common area maintenance charges. See “Item 2. Properties” in our Annual Report on Form 10-K for the year ended December 31, 2025 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.

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, 2025.

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, 2025. No material changes related to our market risks have occurred since December 31, 2025.

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 June 30, 2026. 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 June 30, 2026 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, 2025, 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, 2025.

Item 5. Other Information

Director and Officer Trading Arrangements

None of our directors or officers (as defined in Exchange Act Rule 16a-1(f)) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as each term is defined in Item 408(c) of Regulation S-K) during the second quarter of 2026.

Item 6. Exhibits

Exhibit Number		Description
3.1		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).
3.2		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).
31.1	*	Certification of the Company's President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	*	Certification of the Company's Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	*	Certification of the Company's President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	*	Certification of the Company's Senior Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	*	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 June 30, 2026 and December 31, 2025, (ii) Condensed Consolidated Statements of Income for the three and six months ended June 30, 2026 and 2025, (iii) Condensed Consolidated Statements of Other Comprehensive Income for the three and six months ended June 30, 2026 and 2025, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2026 and 2025, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2026 and 2025, 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:	July 29, 2026	By:	/s/ TIMOTHY J. MCGRATH Timothy J. McGrath President and Chief Executive Officer (Duly Authorized Officer)
Date:	July 29, 2026	By:	/s/ THOMAS C. BAKER Thomas C. Baker Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

CERTIFICATION

I, Timothy J. McGrath, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PC Connection, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2026

/s/ TIMOTHY J. MCGRATH

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

CERTIFICATION

I, Thomas C. Baker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PC Connection, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 29, 2026

/s/ THOMAS C. BAKER

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

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

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PC Connection, Inc. (the "Company") for the period ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Timothy J. McGrath, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to the best of his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2026

/s/ TIMOTHY J. MCGRATH

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

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

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PC Connection, Inc. (the “Company”) for the period ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Thomas C. Baker, Senior Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to the best of his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2026	/s/ THOMAS C. BAKER
	Thomas C. Baker Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)