

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): April 21, 2005

PC Connection, Inc.

(Exact name of registrant as specified in charter)

Delaware

0-23827

02-0513618

(State or other jurisdiction
of incorporation

(Commission
File Number)

(IRS Employer
Identification No.)

Rt. 101A, 730 Milford Road
Merrimack, NH

03054

(Address of principal executive offices)

(Zip Code)

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

N/A

(Former name or former address, if changed since last report)

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On April 21, 2005, PC Connection, Inc. announced its financial results for the quarter ended March 31, 2005. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Form 8-K (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

99.1 Press Release issued by PC Connection, Inc. on April 21,

SIGNATURE

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 hereunto duly authorized.

Date: April 21, 2005

PC CONNECTION, INC.

By: /s/ JACK FERGUSON

Jack Ferguson
Treasurer and
Interim Chief Financial Officer

EXHIBIT INDEX

Exhibit No.

Description

99.1	Press release issued by PC Connection, Inc. on April 21, 2005.
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PC Connection, Inc. Reports First Quarter Results

MERRIMACK, N.H.--(BUSINESS WIRE)--April 21, 2005--PC Connection, Inc. (NASDAQ: PCCC), a leading direct marketer of information technology products and solutions, today announced results for the quarter ended March 31, 2005. Net sales for the three months ended March 31, 2005 decreased by \$3.7 million, or 1.1%, to \$323.9 million from \$327.6 million for the three months ended March 31, 2004. Net income for the quarter ended March 31, 2005, was \$0.9 million, or \$.04 per share, compared to \$1.2 million, or \$.05 per share for the three months ended March 31, 2004.

Net sales for our commercial business was up 1.1% to \$276.7 million, compared to \$273.8 million in the first quarter of 2004. Net sales for the small- and medium-sized business (SMB) segment decreased by 3.4% from the first quarter of 2005 to \$200.3 million and decreased sequentially by 2.2% over the immediately preceding quarter. Sales to large account customers increased by 15.1% over the first quarter of 2004 to \$76.4 million and were substantially the same as such sales in the fourth quarter of 2004. Sales to government and education customers (the Company's public sector segment) declined for the quarter by 12.4% to \$47.2 million compared to the first quarter of 2004.

"During the first quarter, strong year-over-year sales growth in our large account segment was offset by softness in demand in our SMB and public sector segments," said Patricia Gallup, Chairman and Chief Executive Officer. "Looking forward, we are making our systems and sales tools more flexible and responsive, allowing us to be more productive as well as enhancing the buying experience for our customers. In addition, we recently began to roll out our new ServiceConnection(TM) offering, a suite of repair, installation, help desk support, remote backup and other IT services that can reduce the total cost of ownership for our SMB customers, and gives us a new platform for growth."

Notebooks and PDAs continued to be the Company's largest product category, accounting for 18.8% of net sales in the first quarter of 2005 compared to 21.0% for the corresponding period a year ago. Desktop computers and servers accounted for 14.8% of net sales in the first quarter of 2005 compared to 14.1% of net sales for the corresponding period a year ago. The average sales price for computer systems increased 1.9% in the first quarter compared to the corresponding period a year ago, but decreased 2.2% compared to the fourth quarter of 2004. Sales of accessories and other companion products increased 20.3% year over year.

Gross profit margin, as a percentage of net sales, was 11.5% in the first quarter of 2005 compared to 10.4% in the first quarter of 2004, and compared to 12.5% in the fourth quarter of 2004. Approximately 0.8% of the 1.1% year-over-year increase was attributable to the Company's refinement of its reclassification of certain vendor consideration proceeds from selling, general, and administrative expenses to cost of sales, as required by issue No. 02-16 of the Emerging Issues Task Force ("EITF 02-16"). As previously stated, the Company expects that its gross profit margin as a percentage of net sales may vary by quarter based upon vendor support programs, product mix, pricing strategies, market conditions, and other factors.

Consolidated annualized productivity decreased in the first quarter of 2005 by 7.5% compared to the first quarter of 2004. The total number of sales representatives as of March 31, 2005 increased by 7.0% to 597 from 558 as of March 31, 2004.

Total selling, general, and administrative expenses, as a percentage of sales, increased to 10.9% in the first quarter of 2005 compared to 9.4% in the corresponding period a year ago, primarily as the result of the EITF 02-16 reclassification referred to earlier. The Company expects that its SG&A, as a percentage of net sales, may vary by quarter depending on changes in sales volume, as well as the levels of continuing investments in key growth initiatives.

Ms. Gallup concluded, "We believe that an innovative, customer-centric, yet disciplined approach is the key to success in our business. We will continue to execute this strategy as we work to build long-term shareholder value."

PC Connection, Inc., a Fortune 1000 company, operates three sales subsidiaries, PC Connection Sales Corporation of Merrimack, NH, GovConnection, Inc. of Rockville, MD, and MoreDirect, Inc. of Boca Raton, FL.

PC Connection Sales Corporation (1-800-800-5555) is a rapid-response provider of information technology (IT) products and solutions offering more than 100,000 brand-name products to businesses through its staff of technically trained sales account managers and

catalog telesales representatives, catalogs, and publications, and its web site at www.pcconnection.com. The subsidiary serves the Apple/Macintosh community through its MacConnection division (1-800-800-2222), which also publishes specialized catalogs and is online at www.macconnection.com. GovConnection, Inc. (1-800-800-0019) is a rapid-response provider of IT products and solutions to federal, state, and local government agencies and educational institutions through specialized account managers, catalogs, and publications, and online at www.govconnection.com. MoreDirect, Inc. (www.moredirect.com) provides corporate technology buyers with a comprehensive web-based e-procurement solution and in-depth IT supply-chain expertise, serving as a one-stop source by aggregating more than 300,000 products from the inventories of leading IT wholesale distributors and manufacturers. All three subsidiaries can deliver custom-configured computer systems overnight.

A live webcast of PC Connection management's discussion of the first quarter will be available on the Company's Web site at www.pcconnection.com and on www.streetevents.com. The webcast will begin today at 10:00 a.m. Eastern Time.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements that are subject to risks and uncertainties, including, but not limited to, the impact of changes in market demand and the overall level of economic activity, or in the level of business investment in information technology products, competitive products and pricing, product availability and market acceptance, new products, fluctuations in operating results and other risks detailed under the caption "Factors That May Affect Future Results and Financial Condition" in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2004. More specifically, the statements in this release concerning the Company's outlook for 2005 and the statements concerning the Company's gross margin percentage, productivity, and selling and administrative costs and other statements of a non-historical basis (including statements regarding implementing strategies for future growth, the ability of the Company to improve sales productivity and increase its active customers) are forward-looking statements that involve certain risks and uncertainties. Such risks and uncertainties include the ability to realize market demand for and competitive pricing pressures on the products and services marketed by the Company, the continued acceptance of the Company's distribution channel by vendors and customers, continuation of key vendor and customer relationships and support programs and the ability of the Company to hire and retain qualified sales representatives and other essential personnel.

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

At or for the						
Three Months Ended						
March 31,	2005		2004			

(Dollars and shares in thousands, except operating data, price/earnings ratio and per share data)						
		% of		% of		
		Net		Net		
		Sales		Sales	% Change	

Operating Data:						
Net sales growth	(1.1)%		15.6%			
Diluted earnings per share change	(20.0)		(16.7)			
Gross profit margin	11.5		10.4			
Operating margin	0.6		0.7			
Return on equity(1)	2.3		3.0			
Catalogs distributed	8,461,000		6,165,000		37.2%	
Orders entered(2)	358,000		330,000		8.5	
Average order size(2)	\$ 1,048		\$ 1,142		(8.2)	
Inventory turns(1)	16		16			
Days sales outstanding	43		44			
Product Mix:						
Notebooks & PDAs	\$ 60,850	18.8%	\$ 68,737	21.0%	(11.5)%	

Other, net	(25)	(.01)	47	.01
Income tax provision	(673)	(.21)	(710)	(.22)
	-----	-----	-----	-----
Net Income	\$ 948	.29%	\$ 1,158	.35%
	=====	=====	=====	=====

Weighted average common shares
outstanding:

Basic	25,127	24,998
	=====	=====
Diluted	25,362	25,356
Earnings per common share:		
Basic	\$.04	\$.05
	=====	=====
Diluted	\$.04	\$.05
	=====	=====

CONSOLIDATED BALANCE SHEETS

March 31, Dec. 31,

(Amounts in thousands)

2005 2004

ASSETS

Current Assets:

Cash and cash equivalents	\$ 6,336	\$ 6,829
Accounts receivable, net	119,100	120,752
Inventories - merchandise	72,511	78,390
Deferred income taxes	2,874	3,039
Income taxes receivable	1,369	1,325
Prepaid expenses and other current assets	4,439	3,644
	-----	-----

Total current assets

206,629 213,979

Property and equipment, net

16,740 17,647

Goodwill, net

51,687 51,687

Other intangibles, net

2,952 3,040

Other assets

223 189

Total assets

\$278,231 \$286,542

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Current maturities of capital lease obligations:

To affiliate \$ 382 \$ 373

To third party 398 391

Note payable - bank 1,423 4,810

Accounts payable 75,024 79,709

Accrued expenses and other liabilities 16,731 18,138

Acquisition earn-out obligation 6,921 6,921

Total current liabilities

100,879 110,342

Capital lease obligation, less current maturities:

To affiliate 5,616 5,715

To third party 706 841

Deferred income taxes 3,674 3,486

Total liabilities

110,875 120,384

Stockholders' Equity:

Common stock 255 255

Additional paid-in capital 77,341 77,091

Retained earnings 92,046 91,098

Treasury stock at cost (2,286) (2,286)

Total stockholders' equity

167,356 166,158

Total liabilities and stockholders' equity

\$278,231 \$286,542

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Three months ended March 31, 2005 (Amounts in thousands)

	Common Stock	Additional	Retained
	-----	Paid-In	Earnings
		Capital	

	Shares	Amount		
Balance - December 31, 2004	25,462	\$255	\$77,091	\$91,098
Exercise of stock options, including income tax benefits	36	-	250	-
Net income	-	-	-	948
Balance - March 31, 2005	25,498	\$255	\$77,341	\$92,046
			Treasury Shares	Total
			Shares	Amount
Balance - December 31, 2004		(362)	\$ (2,286)	\$166,158
Exercise of stock options, including income tax benefits		-	-	250
Net income		-	-	948
Balance - March 31, 2005		(362)	\$ (2,286)	\$167,356

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, (Amounts in thousands)

	2005	2004
Cash Flows from Operating Activities:		
Net income	\$ 948	\$ 1,158
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,714	1,753
Deferred income taxes	353	1,172
Provision for doubtful accounts	878	775
Loss on disposal of fixed assets	41	-
Changes in assets and liabilities:		
Accounts receivable	774	16,523
Inventories	5,879	10,672
Prepaid expenses and other current assets	(839)	(83)
Other non-current assets	(34)	9
Accounts payable	(4,685)	(19,985)
Income tax benefits from exercise of stock options	49	84
Accrued expenses and other liabilities	(1,407)	805
Net cash provided by operating activities	3,671	12,883
Cash Flows from Investing Activities:		
Purchases of property and equipment	(773)	(529)
Proceeds from sale of property and equipment	13	-
Payment of acquisition earn-out obligation	-	(10,295)
Cash escrow distributed for acquisition	-	5,000
Net cash used for investing activities	(760)	(5,824)
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	50,560	88,311
Repayment of short-term borrowings	(53,947)	(93,925)
Repayment of capital lease obligations	(218)	(80)
Exercise of stock options	201	56
Net cash used for financing activities	(3,404)	(5,638)

(Decrease) increase in cash and cash equivalents	(493)	1,421
Cash and cash equivalents, beginning of period	6,829	2,977
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Cash and cash equivalents, end of period	\$ 6,336	\$ 4,398
	=====	=====

CONTACT: PC Connection, Inc.
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