

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): October 27, 2005

PC Connection, Inc.

(Exact name of registrant as specified in charter)

Delaware	0-23827	02-0513618
(State or other juris- diction 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 October 27, 2005, PC Connection, Inc. announced its financial results for the quarter ended September 30, 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 furnished, and not filed:

99.1 Press Release issued by PC Connection, Inc. on

October 27, 2005.

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: October 27, 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 October 27, 2005.
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PC Connection, Inc. Reports Third Quarter Results;
 Company Experiences Year-Over-Year and Sequential
 Sales Growth; Public Sector Sales Increase Year Over Year 12%

MERRIMACK, N.H.--(BUSINESS WIRE)--Oct. 27, 2005--PC Connection, Inc. (NASDAQ: PCCC), a leading direct marketer of information technology products and solutions, today announced results for the quarter ended September 30, 2005. Net sales for the three months ended September 30, 2005 increased by \$19.8 million, or 5.6%, to \$371.1 million from \$351.3 million for the three months ended September 30, 2004. Net income for the quarter ended September 30, 2005 was \$1.9 million, or \$.08 per share, compared to \$2.8 million, or \$.11 per share for the three months ended September 30, 2004.

The three-month periods ended September 30, 2005 and 2004 included charges related to management restructuring and other special charges that reduced earnings and earnings per share. Had these charges not been recorded, pro forma net income for the quarter ended September 30, 2005 would have been \$2.5 million, or \$.10 per share, compared to \$3.9 million, or \$.16 per share, for the quarter ended September 30, 2004. A reconciliation between net income on a GAAP basis and pro forma net income is provided in a table immediately following the Consolidated Income Statements.

Net sales for the nine months ended September 30, 2005 increased by \$31.5 million, or 3.1%, to \$1,045.7 million from \$1,014.2 million for the nine months ended September 30, 2004. Net income for the nine months ended September 30, 2005 was \$4.4 million, or \$.18 per share, compared to \$6.2 million, or \$.25 per share for the nine months ended September 30, 2004. The nine-month periods ended September 30, 2005 and 2004 included charges related to management restructuring and other special charges that reduced earnings and earnings per share. Had these charges not been recorded, pro forma net income for the nine months ended September 30, 2005 would have been \$5.0 million, or \$.20 per share, compared to \$8.5 million, or \$.33 per share, for the comparable period a year ago.

Net sales for the small- and medium-sized business (SMB) segment increased by 3.9% from the third quarter of 2004 to \$203.5 million, but decreased sequentially by 1.8% over the immediately preceding quarter. Sales to large account customers increased by 3.8% over the third quarter of 2004 to \$80.4 million and increased by 2.5% over the second quarter of 2005. Sales to government and education customers (the Company's public sector segment) increased by 12.1% for the quarter to \$87.2 million compared to the third quarter of 2004.

Patricia Gallup, Chairman and Chief Executive Officer of PC Connection, Inc., said, "We are encouraged by the Company's Q3 results, having experienced increased sales in all of our segments. The growth we experienced in our public sector sales is particularly gratifying. We believe the significant sales increase of more than 23 percent to the federal government represents a good beginning to our recovery in this market. We are positioned to expand our current GSA schedule and add new contracts in order to secure new business and increase market share."

Notebooks and PDAs continued to be the Company's largest product category, but decreased to 19.4% of net sales in the third quarter of 2005 compared to 21.6% for the corresponding period a year ago. Desktop computers and servers accounted for 13.9% of net sales in the third quarters of both 2005 and 2004. However, the Company experienced double-digit year-over-year growth in several product categories. Sales of storage devices, net/com products, and accessories/other increased 16.2%, 12.9%, and 17.2%, respectively, in the third quarter of 2005.

Gross profit margin, as a percentage of net sales, was 11.3% in the third quarter of 2005 compared to 11.2% in the third quarter of 2004, and compared to 11.6% in the second quarter of 2005. 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 and customer mix, pricing strategies, market conditions, and other factors.

Consolidated annualized productivity increased sequentially by 5.9% in the third quarter of 2005 compared to the second quarter of 2005, but was unchanged compared to the third quarter of 2004. The total number of sales representatives as of September 30, 2005 decreased to 585 from 602 as of June 30, 2005, but increased from 561 as of September 30, 2004.

Total selling, general, and administrative expenses, as a percentage of sales, increased to 10.1% in the third quarter of 2005 compared to 9.3% in the corresponding period a year ago, primarily as the result of our increased investment in systems improvements and our

services business, as well as higher advertising costs. 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 are making strategic investments to strengthen our company, expand our customer relationships, and enhance our ability to provide service to customers. We believe that we have the right product and market strategies in place, our brand recognition is strong, and our sharp focus on service forms a solid growth platform. Our balance sheet is very healthy, and we are focused on maintaining a strong financial position even as we invest for the future."

About PC Connection, Inc.

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. All three subsidiaries can deliver custom-configured computer systems overnight.

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. (561-237-3300), 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.

A live webcast of PC Connection management's discussion of the third 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 11:00 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, the Company's success at integrating the acquired assets of Amherst Technologies into its businesses, the impact of the costs of acquisition and integration, the ability of the Company to hire and retain Amherst Technologies sales representatives and other essential personnel, and other risks detailed under the caption "Factors That May Affect Future Results and Financial Condition" in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission for the quarter ended June 30, 2005. 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
September 30,

2005

2004

(Dollars and shares in thousands, except operating data, price/earnings ratio and per share data)

		% of Net Sales		% of Net Sales	% Change
Operating Data:					
Net sales	\$ 371,124		\$ 351,265		5.6%
Diluted earnings per share	\$.08		\$.11		(27.3)
Gross profit margin	11.3%		11.2%		
Operating margin	1.0		1.4		
Return on equity(1)	3.9		7.0		
Catalogs distributed	5,525,000		6,887,000		(19.8)%
Orders entered(2)	350,600		310,200		13.0
Average order size(2)	\$ 1,261		\$ 1,341		(6.0)
Inventory turns(1)	20		16		
Days sales outstanding	46		41		
Product Mix:					
Notebooks & PDAs	\$ 71,958	19.4%	\$ 75,894	21.6%	(5.2)%
Desktops/Servers	51,730	13.9	48,858	13.9	5.9
Storage Devices	32,119	8.7	27,635	7.9	16.2
Software	44,875	12.1	41,958	11.9	7.0
Net/Com Products	29,023	7.8	25,703	7.3	12.9
Printers & Printer Supplies	40,033	10.8	37,065	10.6	8.0
Video, Imaging & Sound	43,753	11.8	41,407	11.8	5.7
Memory & System Enhancements	18,152	4.9	19,068	5.4	(4.8)
Accessories/Other	39,481	10.6	33,677	9.6	17.2
	<u>\$ 371,124</u>	<u>100.0%</u>	<u>\$ 351,265</u>	<u>100.0%</u>	<u>5.6%</u>

Net Sales of Enterprise Server and Networking Products (included in the above Product Mix):

	\$ 102,502	27.6%	\$ 94,935	27.0%	8.0%
	<u>=====</u>		<u>=====</u>		

Stock Performance

Indicators:

Actual shares outstanding	25,224		25,050		
Total book value per share	\$ 6.79		\$ 6.54		
Tangible book value per share	\$ 4.63		\$ 4.63		
Closing price	\$ 5.44		\$ 6.87		
Market capitalization	\$ 137,219		\$ 172,094		
Trailing price/earnings ratio (3)	20		25		

(1) Annualized

(2) Does not reflect cancellations or returns

(3) Earnings is based on the last four quarters

SELECTED SEGMENT INFORMATION

For the Three Months Ended
September 30,

	2005		2004	
(Dollars in thousands)	Net Sales	Gross Margin (%)	Net Sales	Gross Margin (%)
PC Connection Sales Corporation (SMB)	\$203,493	12.9%	\$195,943	12.2%
GovConnection (Public Sector)	87,249	9.2	77,864	9.8
MoreDirect (Large Account)	80,382	9.8	77,458	10.2

PC Connection Sales Corporation

(SMB)	\$203,493	12.9%	\$195,943	12.2%
GovConnection (Public Sector)	87,249	9.2	77,864	9.8
MoreDirect (Large Account)	80,382	9.8	77,458	10.2

Total	\$371,124	11.3%	\$351,265	11.2%
	=====	=====	=====	=====

CONSOLIDATED INCOME STATEMENTS

Three Months Ended September 30,	2005		2004	
(Amounts in thousands, except per share data)	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$371,124	100.00%	\$351,265	100.00%
Cost of sales	329,044	88.66	311,859	88.78
Gross Profit	42,080	11.34	39,406	11.22
Selling, general, and administrative expenses	37,531	10.11	32,765	9.33
Special charges	853	.23	1,800	.51
Income From Operations	3,696	1.00	4,841	1.38
Interest expense	(289)	(.08)	(334)	(.10)
Other, net	25	.01	35	.01
Income tax provision	(1,508)	(.41)	(1,725)	(.49)
Net Income	\$ 1,924	.52%	\$ 2,817	.80%
	=====	=====	=====	=====

Weighted average common shares outstanding:

Basic	25,224	25,047
	=====	=====
Diluted	25,271	25,215
	=====	=====
Earnings per common share:		
Basic	\$.08	\$.11
	=====	=====
Diluted	\$.08	\$.11
	=====	=====

CONSOLIDATED INCOME STATEMENTS

Nine Months Ended September 30,	2005		2004	
(Amounts in thousands, except per share data)	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$1,045,685	100.00%	\$1,014,235	100.00%
Cost of sales	925,907	88.55	904,742	89.20
Gross Profit	119,778	11.45	109,493	10.80
Selling, general, and administrative expenses	110,326	10.55	94,938	9.36
Special charges	853	.08	3,583	.36
Income From Operations	8,599	.82	10,972	1.08
Interest expense	(846)	(.08)	(1,059)	(.10)
Other, net	50	-	136	.01
Income tax provision	(3,367)	(.32)	(3,818)	(.38)
Net Income	\$ 4,436	.42%	\$ 6,231	.61%
	=====	=====	=====	=====

Weighted average common shares outstanding:

Basic	25,170	25,018
	=====	=====
Diluted	25,275	25,271
	=====	=====
Earnings per common share:		
Basic	\$.18	\$.25

Diluted	=====	=====
	\$.18	\$.25
	=====	=====

A RECONCILIATION BETWEEN GAAP AND PRO FORMA NET INCOME

This information is being provided so as to allow for a comparison of
our operating results without special charges.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2005	2004	2005	2004
GAAP net income	\$1,924	\$2,817	\$4,436	\$6,231
Special charges (after tax):				
Management restructuring	554	5	554	361
GSA review and other	-	1,111	-	1,861
	-----	-----	-----	-----
	554	1,116	554	2,222
	-----	-----	-----	-----
Pro forma net income	\$2,478	\$3,933	\$4,990	\$8,453
	=====	=====	=====	=====

CONSOLIDATED BALANCE SHEETS

	September 30,	December 31,
(Amounts in thousands)	2005	2004

ASSETS

Current Assets:		
Cash and cash equivalents	\$ 8,121	\$ 6,829
Accounts receivable, net	148,641	120,752
Inventories - merchandise	66,944	78,390
Deferred income taxes	3,100	3,039
Income taxes receivable	1,369	1,325
Prepaid expenses and other current assets	3,550	3,644
	-----	-----
Total current assets	231,725	213,979
Property and equipment, net	17,577	17,647
Goodwill, net	51,687	51,687
Other intangibles, net	2,776	3,040
Other assets	376	189
	-----	-----
Total assets	\$304,141	\$286,542
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Current maturities of capital lease obligations:		
To affiliate	\$ 404	\$ 373
To third party	407	391
Note payable - bank	7,566	4,810
Accounts payable	96,188	79,709
Accrued expenses and other liabilities	18,890	18,138
Acquisition earn-out obligation	-	6,921
	-----	-----
Total current liabilities	123,455	110,342
Capital lease obligations, less current maturities:		
To affiliate	5,408	5,715
To third party	501	841
Deferred income taxes	3,587	3,486
	-----	-----
Total liabilities	132,951	120,384
	-----	-----
Stockholders' Equity:		
Common stock	256	255
Additional paid-in capital	77,686	77,091
Retained earnings	95,534	91,098
Treasury stock at cost	(2,286)	(2,286)
	-----	-----

Total stockholders' equity	171,190	166,158
	-----	-----
Total liabilities and stockholders' equity	\$304,141	\$286,542
	=====	=====

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Nine months ended September 30, 2005 (Amounts in thousands)

	Common Stock Shares	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Shares Amount	Total	
Balance - December 31, 2004	25,462	\$ 255	\$ 77,091	\$91,098	(362)	\$(2,286)	\$166,158
Exercise of stock options, including income tax benefits	92	1	427	-	-	-	428
Issuance of stock under employee stock purchase plan	32	-	168	-	-	-	168
Net income	-	-	-	4,436	-	-	4,436
Balance - September 30, 2005	25,586	\$ 256	\$ 77,686	\$95,534	(362)	\$(2,286)	\$171,190
	=====	=====	=====	=====	=====	=====	=====

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended September 30,
(Amounts in thousands)

	2005	2004
Cash Flows from Operating Activities:		
Net income	\$ 4,436	\$ 6,231
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,340	5,340
Deferred income taxes	40	163
Provision for doubtful accounts	2,790	3,083
Loss on disposal of fixed assets	41	9
Changes in assets and liabilities:		
Accounts receivable	(30,679)	17,751
Inventories	11,446	2,726
Prepaid expenses and other current assets	50	1,163
Other non-current assets	(187)	(18)
Accounts payable	16,479	(21,981)
Income tax benefits from exercise of stock options	80	90
Accrued expenses and other liabilities	752	3,954
Net cash provided by operating activities	10,588	18,511
Cash Flows from Investing Activities:		
Purchases of property and equipment	(5,060)	(2,449)

Proceeds from sale of property and equipment	13	3
Payment of acquisition earn-out obligation	(6,921)	(11,095)
Cash escrow distributed for acquisition	-	5,000
	-----	-----
Net cash used for investing activities	(11,968)	(8,541)
	-----	-----

Cash Flows from Financing Activities:

Proceeds from short-term borrowings	180,800	270,686
Repayment of short-term borrowings	(178,044)	(276,300)
Repayment of capital lease obligations	(600)	(247)
Exercise of stock options	348	76
Issuance of stock under employee stock purchase plan	168	205
	-----	-----
Net cash provided by (used for) financing activities	2,672	(5,580)
Increase in cash and cash equivalents	1,292	4,390
Cash and cash equivalents, beginning of period	6,829	2,977
	-----	-----
Cash and cash equivalents, end of period	\$ 8,121	\$ 7,367
	=====	=====

CONTACT: PC Connection, Inc.
Stephen Baldrige, 603-683-2052
VP of Finance & Corporate Controller