



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



# Disclosures

## Safe Harbor Statement

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

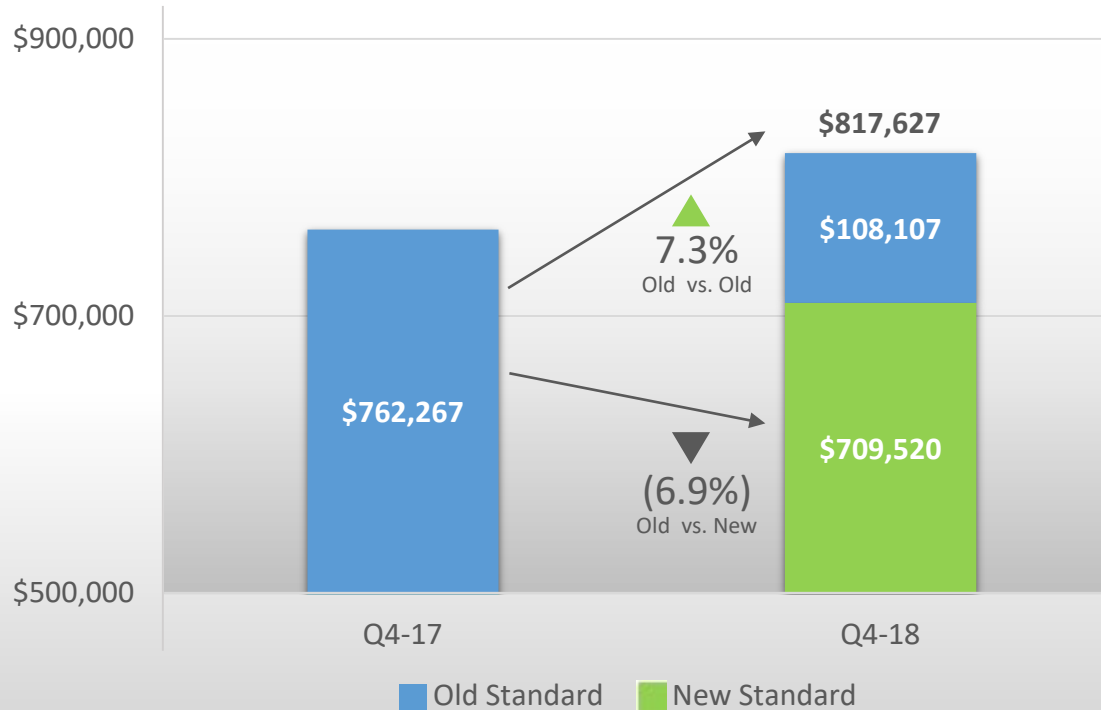
## Non-GAAP Financial Information

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

# PC Connection, Inc. & Subsidiaries Revenue Growth

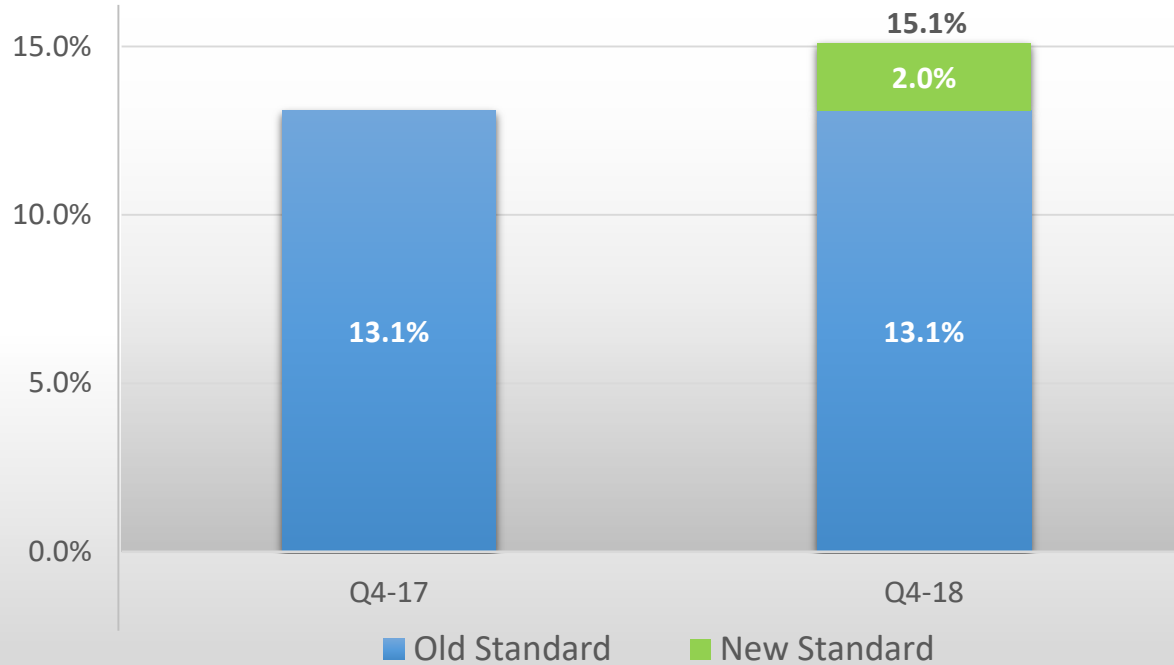
## Q4 2018 vs. Q4 2017

(amounts in thousands)



# PC Connection, Inc. & Subsidiaries Gross Margin

Q4 2018 vs. Q4 2017



# PC Connection, Inc. & Subsidiaries

## Business Segments – Sales & Margin

### RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT NET SALES

(Unaudited, in thousands)

	Three Months Ended December 31,				Change		Change	
	2018		2017		Amount	Percent	Amount	Percent
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard					
<b>Net sales</b>								
Business Solutions	\$ 249,726	\$ 47,496	\$ 297,222	\$ 298,017	\$ (48,291)	(16.2%)	\$ (795)	(0.3%)
Enterprise Solutions	341,356	50,150	391,506	308,806	32,550	10.5%	82,700	26.8%
Public Sector Solutions	118,438	10,461	128,899	155,444	(37,006)	(23.8%)	(26,545)	(17.1%)
Total	\$ 709,520	\$ 108,107	\$ 817,627	\$ 762,267	\$ (52,747)	(6.9%)	\$ 55,360	7.3%

### RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS PROFITS

(Unaudited, in thousands)

	Three Months Ended December 31,				Change		Change	
	2018		2017		Amount	Percent	Amount	Percent
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard					
<b>Gross profits</b>								
Business Solutions	\$ 46,772	\$ 141	\$ 46,913	\$ 46,353	\$ 419	0.9%	\$ 560	1.2%
Enterprise Solutions	43,765	(104)	43,661	36,210	7,555	20.9%	7,451	20.6%
Public Sector Solutions	16,265	(127)	16,138	16,967	(702)	(4.1%)	(829)	(4.9%)
Total	\$ 106,802	\$ (90)	\$ 106,712	\$ 99,530	\$ 7,272	7.3%	\$ 7,182	7.2%

### RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS MARGINS

(Unaudited, in thousands)

	Three Months Ended December 31,				Change		Change	
	2018		2017		As Presented Amount (bps)	Previous Revenue Standard Amount (bps)		
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard					
<b>Gross margins</b>								
Business Solutions	18.7%	(295)	15.8%	15.6%	318	23		
Enterprise Solutions	12.8%	(167)	11.2%	11.7%	110	(57)		
Public Sector Solutions	13.7%	(121)	12.5%	10.9%	282	160		
Total	15.1%	(200)	13.1%	13.1%	200	(1)		

# PC Connection, Inc. & Subsidiaries Income Statement

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended December 31,		Years Ended December 31,	
	2018	2017 <sup>(1)</sup>	2018	2017 <sup>(1)</sup>
<i>(amounts in thousands, except per share data)</i>				
Net sales	\$ 709,520	\$ 762,267	\$ 2,699,489	\$ 2,911,883
Cost of sales	602,718	662,737	2,288,403	2,529,807
<b>Gross profit</b>	106,802	99,530	411,086	382,076
Selling, general and administrative expenses	79,518	74,939	324,433	300,913
Restructuring and other charges	967	2,695	967	3,636
<b>Income from operations</b>	26,317	21,896	85,686	77,527
Other income/(expense), net	2,566	78	2,978	98
Income tax provision	(7,583)	(1,251)	(24,072)	(22,768)
<b>Net income</b>	\$ 21,300	\$ 20,723	\$ 64,592	\$ 54,857
Earnings per common share:				
Basic	\$ 0.80	\$ 0.77	\$ 2.42	\$ 2.05
Diluted	\$ 0.80	\$ 0.77	\$ 2.41	\$ 2.04
Shares used in the computation of earnings per common share:				
Basic	26,632	26,822	26,717	26,771
Diluted	26,766	26,907	26,854	26,891

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

# PC Connection, Inc. & Subsidiaries Adjusted EBITDA

## EBITDA AND ADJUSTED EBITDA

A reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable GAAP measure is detailed below. Adjusted EBITDA is defined as EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for restructuring and other charges, favorable legal settlement, and stock-based compensation and restructuring and other charges. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either includes or excludes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance including our ability to fund our future capital expenditures and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our credit agreements. Non-GAAP measures are not a substitute for GAAP measures and should be considered together with the GAAP financial measures. Our non-GAAP financial measures may not be comparable to other similar titled measures of other companies.

(amounts in thousands)

	Three Months Ended December 31,			Years Ended December 31, <sup>(1)</sup>		
	2018	2017	% Change	2018	2017	% Change
<b>Net income</b>	\$ 21,300	\$ 20,723	3%	\$ 64,592	\$ 54,857	18%
Depreciation and amortization	3,701	3,194	16%	14,064	11,839	19%
Income tax expense	7,583	1,251	506%	24,072	22,768	6%
Interest expense	41	38	8%	145	126	15%
<b>EBITDA</b>	<u>32,625</u>	<u>25,206</u>	29%	<u>102,873</u>	<u>89,590</u>	15%
Restructuring and other charges <sup>(2)</sup>	967	2,695	(64%)	967	3,636	(73%)
Favorable legal settlement, net <sup>(3)</sup>	(2,300)	-	(100%)	(2,300)	-	(100%)
Stock-based compensation	342	181	89%	1,080	741	46%
<b>Adjusted EBITDA</b>	<u>\$ 31,634</u>	<u>\$ 28,082</u>	13%	<u>\$ 102,620</u>	<u>\$ 93,967</u>	9%

(1) LTM: Last twelve months

(2) Restructuring and other charges in 2018 consist of severance related to internal restructuring activities. Restructuring and other charges in 2017 consist of a fourth quarter one-time bonus paid to all employees except executive officers as well as severance and relocation costs for our Softmart facility incurred in the second quarter 2017.

(3) The Company recorded \$2.3 million of income in other income/(expense), net as a result of a favorable resolution of a contract dispute.

# PC Connection, Inc. & Subsidiaries Balance Sheet

<b>CONDENSED CONSOLIDATED BALANCE SHEETS</b>	<b>December 31, 2018</b>	<b>December 31, 2017 <sup>(1)</sup></b>
<i>(amounts in thousands)</i>		
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 91,703	\$ 49,990
Accounts receivable, net	447,698	449,682
Inventories, net	119,195	106,753
Income taxes receivable	922	3,933
Prepaid expenses and other current assets	9,661	5,737
<b>Total current assets</b>	<b>669,179</b>	<b>616,095</b>
Property and equipment, net	51,799	41,491
Goodwill	73,602	73,602
Intangibles assets, net	9,564	11,025
Other assets	1,211	5,638
<b>Total Assets</b>	<b>\$ 805,355</b>	<b>\$ 747,851</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 201,640	\$ 194,257
Accrued payroll	24,319	22,662
Accrued expenses and other liabilities	33,840	31,096
<b>Total current liabilities</b>	<b>259,799</b>	<b>248,015</b>
Deferred income taxes	17,184	15,696
Other liabilities	2,469	1,888
<b>Total Liabilities</b>	<b>279,452</b>	<b>265,599</b>
Stockholders' Equity:		
Common stock	288	287
Additional paid-in capital	115,842	114,154
Retained earnings	441,010	383,673
Treasury stock at cost	(31,237)	(15,862)
<b>Total Stockholders' Equity</b>	<b>525,903</b>	<b>482,252</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 805,355</b>	<b>\$ 747,851</b>

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



# PC Connection, Inc. & Subsidiaries Cash Flow Trend

Cash Flow Activity	Three months ended Dec 31,		Twelve months ended Dec 31,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net cash provided by (used in) operating activities	\$ 5.6	\$ (9.0)	\$ 86.8	\$ 19.3
Net cash used in investing activities	(5.6)	(3.9)	(21.2)	(11.8)
Net cash used in (provided by) financing activities	(10.5)	0.6	(23.9)	(6.7)
(Decrease) Increase in cash & cash equivalents	(10.5)	(12.3)	41.7	0.8
Cash and cash equivalents, beginning of period	102.2	62.3	50.0	49.2
<b>Cash and cash equivalents, end of period</b>	<b>\$ 91.7</b>	<b>\$ 50.0</b>	<b>\$ 91.7</b>	<b>\$ 50.0</b>

(Amounts in millions)

# PC Connection, Inc. & Subsidiaries

## Other Key Operating Metrics / Stock Repurchases

### CONSOLIDATED SELECTED FINANCIAL INFORMATION UNDER PREVIOUS REVENUE RECOGNITION STANDARD

	2018		2017	
	As Presented	Impact of New Revenue Standard	Previous Revenue Standard	
	Inventory turns	21	4	25
Days sales outstanding	51	(6)	45	48

	Shares	Dollars	Avg. Price
Q1 2018 Purchases	116,241	\$ 2,997,217	\$ 25.78
Q2 2018 Purchases	53,221	1,386,556	26.05
Q3 2018 Purchases	-	-	-
Q4 2018 Purchases	365,703	10,990,449	30.05
<b>Total</b>	<b>535,165</b>	<b>\$ 15,374,222</b>	<b>\$ 28.73</b>

Remaining Authorized \$ at December 31, 2018\*

**\$ 27,392,314**

Held in Treasury		
Shares	Dollars	Avg. Price
2,391,272	\$ 31,236,539	\$ 13.06

\*Includes \$25M authorized by BOD in Q4 2018



*Thank you!*