

O n e o f a K i n d



PC CONNECTION, INC. • 2006 ANNUAL REPORT

## Dear Fellow Shareholders,

PC Connection, Inc. had an outstanding year in 2006. We generated record sales, increased net income by over 200% year over year, and saw our stock price increase nearly 175%. Like the steady growth of a pearl, these results came about by building upon the core values and guiding principles that have shaped our success since our founding in 1982.

Revenues and gross profit increased across all business segments with overall sales at \$1.64 billion, up 13% compared to \$1.44 billion in 2005. Gross profit growth was even higher, at 22%, reflecting the improvements we made in our gross margin rate. Net income for 2006 was \$13.8 million, compared to \$4.4 million in 2005. We also achieved further improvements in our balance sheet and cash flows in 2006. Our cash balances nearly doubled year over year, and we had no debt outstanding at the end of 2006. At the same time, we continued to invest in the initiatives we feel will ensure the long-term health of our company. We improved our leverage in receivables and inventories, as both days-sales-outstanding and inventory turns improved year over year. Our balance sheet remains very healthy.

At the core of our strategy is our commitment to deliver the best service possible to every one of our customers. To that end, our Company's multi-branded sales and marketing strategy enables our three sales subsidiaries to act as complete single-source information technology (IT) suppliers to key customer segments. PC Connection Sales Corporation, which includes our MacConnection division, serves consumers and small- and medium-sized businesses; GovConnection, Inc. serves government agencies and educational institutions; and MoreDirect, Inc. supports medium-to-large enterprises. In all segments, we work closely with our customers to determine the full range of their needs, and then deliver comprehensive IT solutions to meet their requirements.

Applying our core values and principles, our management team fully and successfully integrated the assets of Amherst Technologies purchased in the fall of 2005. The successful integration of this acquisition helped us better leverage our cost structure and increased our number of technical certifications.

In February 2006, we opened a new call center in the Dallas Metroplex to better serve our small- and medium-sized customers in the western U.S. This location supports our sales growth strategies and gives us access to a new labor market. We also expanded our public-sector portfolio to include a number of new contracts and agreements that position us to better meet the purchasing requirements of our education and government customers.

In addition, we strengthened our end-to-end solution capability by increasing our IT service offerings. Through our ServiceConnection® brand, we provide IT services such as asset disposal and recovery, hardware and software

configuration, and on-site and remote support to small- and medium-sized businesses that do not have a dedicated IT staff. For our large customers, MoreDirect's professional services group offers a wide array of on-site and custom IT services. These expanded offerings enable us to better serve our clients through a single point of contact—the Account Manager.

Working with a key set of vendors, the Company launched HealthConnection™, a vertical-market initiative directed to the healthcare industry—one of the fastest growing market segments. HealthConnection™ solutions are tailored to healthcare provider and payer organizations through our three sales subsidiaries.

Moving forward, we continue to build and strengthen the relationship between customers and Account Managers by providing IT solutions faster and more effectively. We recently launched a new, redesigned business-to-business Web site. Customers can now more efficiently receive quotes, place orders, manage approvals, track shipments, and generate purchasing reports. The site also supports a wide range of popular e-procurement applications, enabling us to integrate fully with systems that our current and prospective customers already have in place.

We continue to invest in our greatest asset—our employees. In 2006 we expanded our recruitment, development, and recognition programs to further enhance the skills and reward the talents of our world-class team. These programs support our ongoing mission to deliver the highest level of service possible to our customers.

The ongoing, successful execution of our business plans and strategies adds new luster to our business. Whether forging new relationships with vendors, reaching out to new customers, or acquiring new strategic assets, we continue to seek opportunities to strengthen our business while remaining true to our core values and guiding principles.

PC Connection was one of the best performing companies in the channel in 2006. On a broader scale, we appeared on the Fortune 1000 for the seventh year running and in the top 25% of Forbes' *America's 100 Most Trustworthy Companies*.

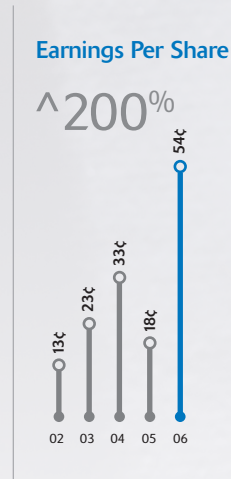
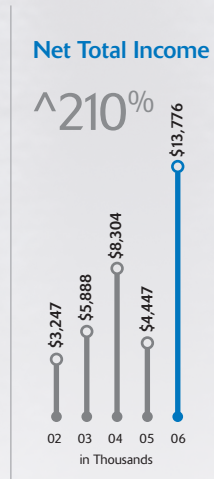
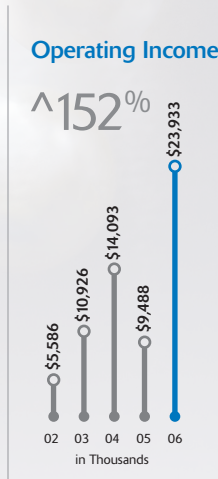
In closing, we would like to thank our customers and partners for their business, our employees for their time and effort, and you—our shareholders—for your continuing support.



*Patricia Gallup*

**Patricia Gallup**

Chairman & Chief Executive Officer  
PC Connection, Inc.



### Shareholder Information

The Investor Relations Department is responsible for shareholder communications and welcomes shareholder inquiries about PC Connection, either by telephone, or in writing. The Annual Report, filings with the U.S. Securities and Exchange Commission, and general information can be obtained upon written request to:

Corporate Communications  
 PC Connection, Inc.  
 730 Milford Road  
 Merrimack, NH 03054-4631  
 (603) 683-2167

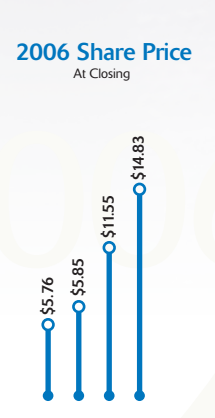
Or by visiting the PC Connection Web site at [www.pcconnection.com](http://www.pcconnection.com)

### Annual Meeting

The annual meeting of shareholders will be held at 10:00 a.m. on June 7, 2007 at the Crowne Plaza, 2 Somerset Parkway, Nashua, NH 03063

### Transfer Agent

American Stock Transfer & Trust Co.  
 59 Maiden Lane  
 Plaza Level  
 New York, NY 10038  
 (800) 937-5449



## BOARD OF DIRECTORS

**Patricia Gallup**  
Chairman

**David Hall**  
Director

**David Beffa-Negrini**  
Director

**Bruce Barone**  
Audit and Compensation Committees

**Joseph Baute**  
Audit and Compensation Committees

**Donald Weatherson**  
Audit and Compensation Committees

## EXECUTIVE OFFICERS

**Patricia Gallup**  
Chairman and CEO

**Timothy McGrath**  
Senior Vice President,  
Enterprise Group

**Bradley Mousseau**  
Senior Vice President,  
Human Resources

**Jack Ferguson**  
Senior Vice President,  
Treasurer, and CFO

**David Beffa-Negrini**  
Senior Vice President,  
Corporate Marketing and Creative Services

## CORPORATE OFFICES

**PC Connection, Inc.**  
Corporate Headquarters  
730 Milford Road  
Merrimack, NH 03054-4631

**PC Connection Sales Corporation**  
730 Milford Road  
Merrimack, NH 03054-4631

**PCC Sales, Inc.**  
293 Boston Post Road  
Marlborough, MA 01752

**GovConnection, Inc.**  
7503 Standish Place  
Rockville, MD 20855

**MoreDirect, Inc.**  
Suite 950  
4950 Communication Avenue  
Boca Raton, FL 33431

**Merrimack Services Corporation**  
730 Milford Road  
Merrimack, NH 03054-4631  
Distribution Center:  
Wilmington, OH

# PC Connection, Inc.

730 Milford Road  
Merrimack, NH 03054-4631

[www.pconnection.com](http://www.pconnection.com)



This Annual Report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. When used in this Annual Report, the words "should," "will," "expects," "anticipates," "predict," and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such risks and uncertainties include, but are not limited to, the Company's future capital needs and resources, fluctuations in customer demand, intensity of competition from other vendors, timing and acceptance of new product introductions, delays or difficulties in programs designed to increase sales and profitability, general economic and industry conditions, and other risks set forth in the Company's filings with the Securities and Exchange Commission, and the information set forth herein should be read in light of such risks. In addition, any forward-looking statements represent the Company's estimates only as of the date of this Annual Report and should not be relied upon as representing the Company's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so, even if its estimates change.