

Connection's Q3 Results: Public-Sector Delays, Enterprise Modernization Ahead

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Connection's Q3 results highlight an industry where modernization is guiding technology lifecycle and hardware flows. The company's shift from hardware sales toward cloud, cybersecurity, and services signals fresh opportunities and new operational priorities for ITAD and recycling firms as enterprise refresh and data-center projects accelerate.

First, What You Should Know in a Nutshell:

- Revenue fell 2.2% year over year to \$709 million, but gross profit rose to a record \$138.6 million, with margin expansion showing higher-value service and cloud contributions.
- AI-minded upgrades and infrastructure modernization are active: 60% of Connection's installed PC base has moved to Windows 11, leaving a substantial pipeline of refreshes through 2026.
- Hardware hitting the disposition stream will be richer in high-density components, next-gen chips, and data-center equipment as public and enterprise refresh cycles proceed.
- Backlog is at a two-year high, signifying pent-up demand from deferred but already-funded enterprise and public-sector projects-pointing to a likely uptick in disposition volumes once government delays ease.
- For downstream operators, the immediate challenge is to prepare for surges of enterprise gear-emphasizing compliant recovery, secure data handling, and capacity for rapid processing.
- Connection's outlook calls for mid-single-digit revenue growth in 2026 and continued focus on higher-margin, recurring contracts-affirming a stable cycle of modernization and asset flow for ITAD, metals recovery, and recycling firms

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