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**First Quarter 2009**

**ARRIS Earnings Conference Call**

**April 29, 2009**



# Safe Harbor

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Statements in this presentation, including those related to first quarter 2009 revenues and net income; outlook for full year 2009; income tax expense impacts; expected sales levels, estimated timing of acquisition and acceptance of certain ARRIS products; the general market outlook and the outlook for industry trends, are forward-looking statements. These statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Among other things, projected results are based on preliminary estimates, assumptions and projections that management believes to be reasonable at this time, but are beyond management's control; ARRIS is dependent upon customer decisions to purchase the Company's products -- these decisions can be deferred and customers also may select competitor's products; and because the market in which ARRIS operates is volatile, actions taken and contemplated may not achieve the desired impact. Other factors that could cause results to differ from current expectations include: the uncertain current economic climate and financial markets, and their impact on our customers' plans and access to capital; the impact of rapidly changing technologies; the impact of competition on product development and pricing; the ability of ARRIS to react to changes in general industry and market conditions; rights to intellectual property and the current trend toward increasing patent litigation, market trends and the adoption of industry standards; and consolidations within the telecommunications industry of both the customer and supplier base. These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect the Company's business. Additional information regarding these and other factors can be found in ARRIS' reports filed with the Securities and Exchange Commission, including its Form 10-K for the quarter ended December 31, 2008. In providing forward-looking statements, the Company expressly disclaims any obligation to update publicly or otherwise these statements, whether as a result of new information, future events or otherwise.



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# First Quarter 2009 Highlights & Business Outlook

**Bob Stanzione**  
**CEO & Chairman**



# Q109 Highlights

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- **Results well within guidance**
- **Q109 Revenues down due to slow start**
- **Improving profitability**
- **Gross margins continue to improve**
- **Continued cash from operations**
- **Reduction of outstanding debt**
- **Improved book-to-bill and backlog**
- **Positive Q2 outlook**



# Q109 Highlights

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- **Broadband Communications Systems**
  - **CMTS**
    - Downstream port shipments of 24,516
    - Key wins in Korea, Japan and North America
    - Improved worldwide market share in Q408
  - **CPE**
    - 1.3 million units shipped... No. 1 for 16 quarters
    - Twice as large market share as nearest competitor
    - Increased shipments of Multi-line and Wireless Gateways
    - DOCSIS 3.0 CPE shipments increased over Q408, but still expect more significant transition later in 2009



# Q109 Highlights

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- **Access, Transport & Supplies**
  - Business still impacted by macro-economics
  - Product mix and lower volumes impacted margins
  - Anticipate improved Q2 performance
  
- **Media & Communications Systems**
  - Strong acceptance of WorkAssure projects
  - New WorkAssure customer in Latin America
  - Mix shift toward On-Demand and Ad insertion
  - Introduced two new video distribution platforms
  - Anticipate improved Q2 performance



# From our February, 2009 Earnings Call... What we expected was on the mark.

## Outlook for Q109...

- **Slow start to the first quarter**
- **Macro-economics creates cautious spending**
- **Comcast deploys Q408 shipments in Q109**
- **Economy dampens VoIP and HSD adds**

ARRIS Earnings Call, February 11, 2009

**ARRIS**



# From our February, 2009 Earnings Call... Our outlook remains unchanged

## In Summary, Optimistic Outlook for Full Year 2009...

- **Despite the economy, indications are that business will increase as the year goes on**
- **Comcast reinforces intent to provide 3.0 in their network by mid to late 2010**
- **C4c introduction presents new CMTS opportunities**
- **New OSS projects on the horizon**
- **International sales look strong**
- **DOCSIS 3.0 CPE to begin later this year**
- **Drivers of Competition and Internet traffic growth**

ARRIS Earnings Call, February 11, 2009

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**ARRIS**



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# First Quarter 2009 Financial Highlights

**David Potts**  
**Chief Financial Officer**



# Financial Highlights – Q1 2009

(Preliminary and Unaudited)

	Q1 2009	Q1 2008	H/(L)
<b>Sales - \$M</b>	253.5	273.5	(20.0)
<b>Gross Margin - \$M</b>	95.5	85.2	10.3
<b>Gross Margin - %</b>	37.7%	31.2%	6.5 pts
<b>SG&amp;A / R&amp;D - \$M</b>	63.7	65.1	(1.4)
<b>Amortization of Intangibles / Restructuring - \$M</b>	9.4	13.7	(4.3)
<b>EPS - GAAP (1)</b>	0.10	0.03	0.07
<b>Adjusted EPS - Non-GAAP (2)</b>	0.18	0.12	0.06
<b>Cash &amp; Short-term Investments - \$M</b>	424.4	293.0	131.4
<b>Convertible Debt at Face Value - \$M</b>	261.0	276.0	(15.0)
<b>Cash Provided by Operating Activities - \$M</b>	13.8	30.5	(16.7)
<b>Weighted average common shares - diluted - M</b>	124.9	132.0	(7.1)
<b>Backlog - \$M</b>	155.0	147.0	8.0
<b>Book-to-Bill</b>	1.16	1.04	0.12

(1) Q1 2008 as restated in accordance with FSP 14-1

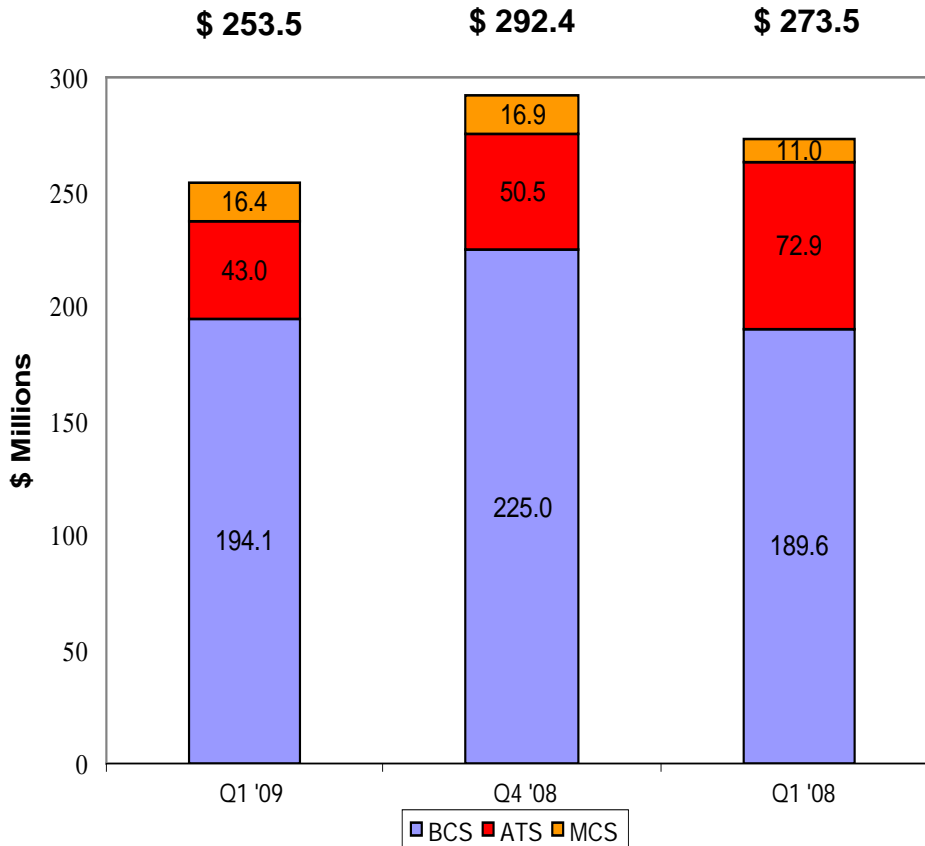
(2) See reconciliation of GAAP to Non-GAAP measures.



# Sales – Q1 2009

(Preliminary & Unaudited)

## Sales by Segment



## Domestic / International Sales

	Q1 '09	Q4 '08	Q1 '08
Domestic - \$M	186.0	208.9	188.7
- %	73.4%	71.4%	69.0%
International - \$M	67.5	83.5	84.8
- %	26.6%	28.6%	31.0%

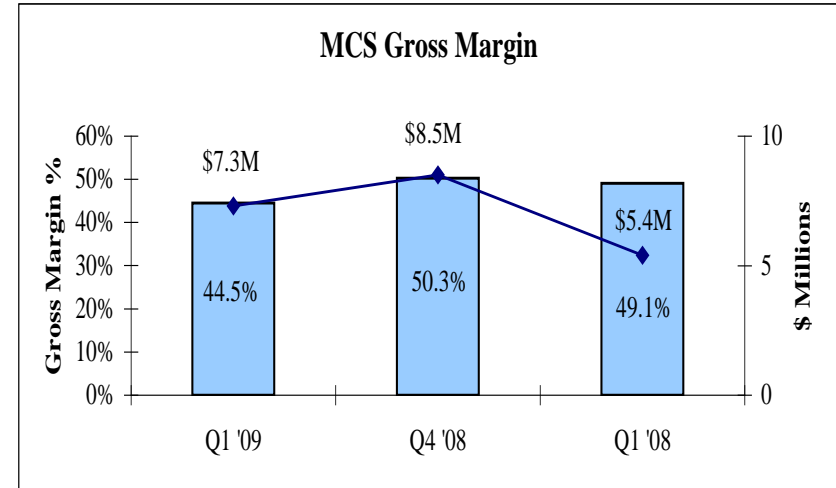
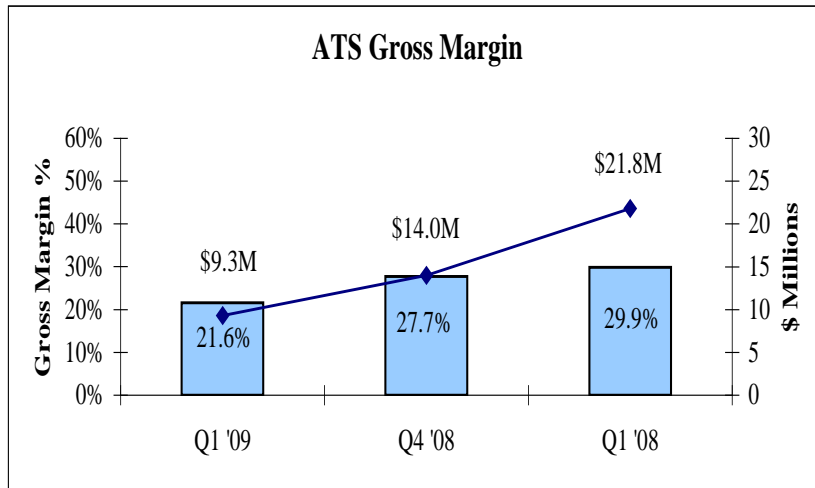
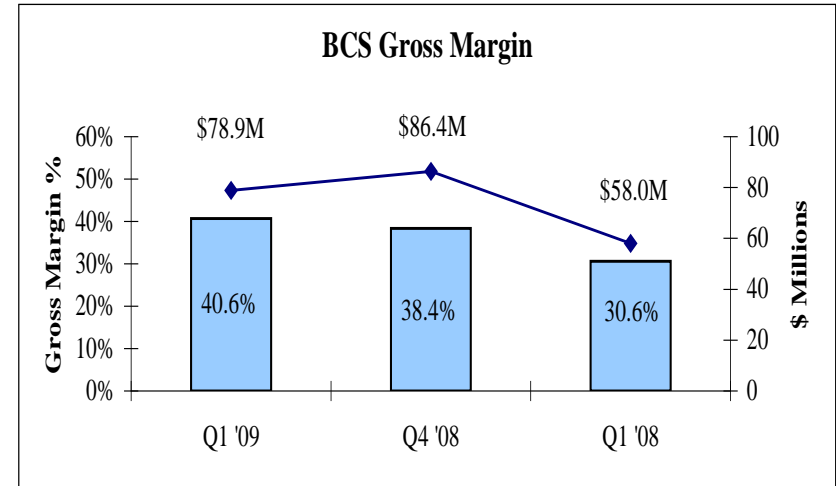
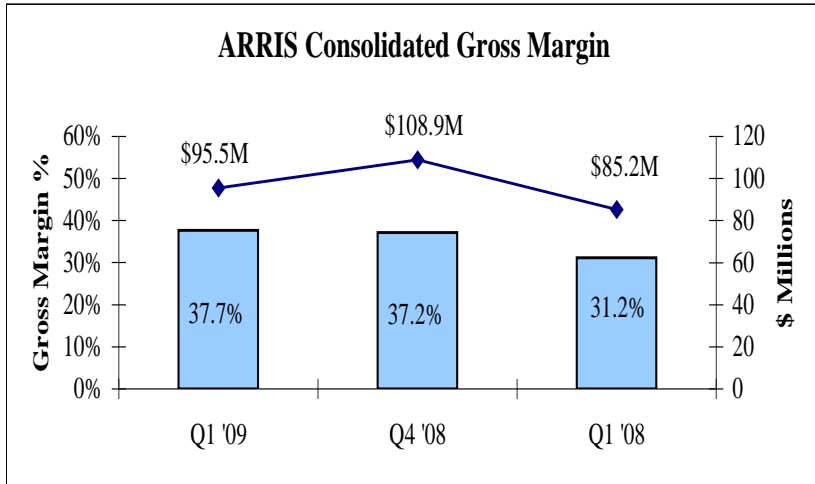
## 10% Customers

	Q1 '09	Q4 '08	Q1 '08
Time Warner Cable and Affiliates	49.1	45.3	70.9
Comcast and Affiliates	65.2	119.1	34.2



# Gross Margin– Q1 2009

(Preliminary & Unaudited)





# Operating Expenses - Q1 2009

(Preliminary & Unaudited)

		<u>Q1 2009</u>	<u>Q1 2008</u>	<u>H / (L)</u>
R&D	<b>\$M</b>	28.4	28.1	0.3
	<b>% of Sales</b>	11.2%	10.3%	0.9 pts
SG&A	<b>\$M</b>	35.3	37.0	(1.7)
	<b>% of Sales</b>	13.9%	13.5%	0.4 pts
<b>Total R&amp;D/SG&amp;A</b>	<b>\$M</b>	<u>63.7</u>	<u>65.1</u>	(1.4)
	<b>% of Sales</b>	25.1%	23.8%	1.3 pts
Restructuring	<b>\$M</b>	0.1	0.4	(0.3)
	<b>% of Sales</b>	0.0%	0.1%	(0.1) pts
Amortization of Intangibles	<b>\$M</b>	9.3	13.3	(4.0)
	<b>% of Sales</b>	3.7%	4.9%	(1.2) pts
<b>Total Operating Expenses</b>	<b>\$M</b>	<u>73.1</u>	<u>78.8</u>	(5.7)
	<b>% of Sales</b>	28.8%	28.8%	0.0 pts



# Balance Sheet & Cash Flow Highlights – Q1 2009

(Preliminary & Unaudited)

	<u>Q1 09</u>	<u>Q4 08</u>	<u>Q1 08</u>
<b>Cash &amp; Short Term Investments - \$M</b>	424.4	427.3	293.0
<b>Cash provided by Operating Activities - \$M</b>	13.8	102.5	30.5
<b>Cash used to retire 2013 Convertible Debt - \$M</b>	10.6	0.0	0.0
<b>Accounts Receivable, net - \$M</b>	155.8	159.4	172.7
<i>DSOs</i>	57	53	57
<b>Inventory, net - \$M</b>	120.8	129.8	122.4
<i>Turns</i>	5.0	5.5	5.9
<b>2013 Convertible Debt at Face Value- \$M</b>	261.0	276.0	276.0

Certain balance sheet and cash flow items in prior periods have been reclassified to conform to the current financial statement presentation



## Q2 2009 Guidance

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- **Revenue \$270M - \$290M**
- **Adjusted (Non-GAAP) EPS \$0.20 - \$0.24**
- **GAAP EPS \$0.12 - \$0.16**
- **127M outstanding shares assumed**



# EPS Guidance Reconciliation

## Q2 2009 EPS Guidance

<b>Estimated GAAP EPS</b>	\$0.12 - \$0.16
<b>Reconciling Items</b>	
<b>Amortization of Intangibles (after tax)</b>	\$0.05
<b>Stock Compensation Expense (after tax)</b>	\$0.02
<b>Non-Cash Interest - Convertible Debt (after tax)</b>	\$0.01
<b>Subtotal</b>	<u>\$0.08</u>
<b>Estimated Adjusted (Non-GAAP) EPS</b>	<u><u>\$0.20 - \$ 0.24</u></u>

See the GAAP to Non-GAAP EPS reconciliation for a discussion regarding management's reasoning for providing this Non-GAAP financial measure.



# GAAP / Non-GAAP EPS Reconciliation Q1 2009 (Preliminary & Unaudited)

ARRIS GROUP, INC.  
PRELIMINARY SUPPLEMENTAL NET INCOME (LOSS) RECONCILIATION  
(in thousands, except per share data)  
(unaudited)

	Q1 2009		Q1 2008	
	Amount	Per Diluted Share	Amount	Per Diluted Share
Net income (loss)	\$ 12,882	\$ 0.10	\$ 3,829	\$ 0.03
Highlighted items:				
<i>Impacting gross margin:</i>				
Stock compensation expense	303	-	201	-
<i>Impacting operating expenses:</i>				
Integration costs	-	-	427	-
Restructuring charges	120	-	405	-
Amortization of intangible assets	9,263	0.07	13,254	0.10
Stock compensation expense	3,098	0.02	2,350	0.02
<i>Impacting other (income) / expense:</i>				
Convertible debt non-cash interest	2,818	0.02	2,605	0.02
Gain on repurchase of debt	(4,152)	(0.03)	-	-
<i>Impacting income tax expense:</i>				
Adjustments of income tax valuation allowances and research & development credits and other	1,455	0.01		
Tax related to highlighted items above	(3,646)	(0.03)	(7,268)	(0.06)
Total highlighted items	9,259	0.07	11,974	0.09
Net income excluding highlighted items	\$ 22,141	\$ 0.18	\$ 15,803	\$ 0.12
Weighted average common shares - diluted		124,920		131,981

With respect to stock compensation expense, ARRIS records non-cash compensation expense related to grants of options and restricted stock. Depending upon the size, timing and the terms of the grants, this non-cash compensation expense may vary significantly. With respect to amortization of intangibles, the intangibles being amortized relate to our recent acquisition of C-COR. The restructuring charge adjustments reflect items that, although they or similar items might recur, are of a nature and magnitude that identifying them separately provides investors with a greater ability to project ARRIS' future performance. With respect to the convertible debt non-cash interest, ARRIS records non-cash interest expense related to the 2013 convertible debt as a result of the adoption of FSP ABP 14-1 on January 1, 2009. Disclosing the non-cash piece provides investors with the information regarding interest that will not be paid out in cash. During the first quarter of 2009, ARRIS repurchased a portion of their convertible debt and recognized a gain of approximately \$4.2 million. In the first quarter of 2009, a tax expense of approximately \$1.5 million was recorded for state valuation allowances and research and development tax credits. During the first quarter of 2008, ARRIS recorded incremental costs of \$0.4 million as a result of the C-COR integration.

In assessing operating performance and preparing budgets and forecasts, ARRIS' management considers performance after making these adjustments and believes that providing investors with the same information provides greater transparency and insight into management's analysis.



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