



Second Quarter 2009

ARRIS Earnings Conference Call

July 30, 2009

Safe Harbor

Statements in this presentation, including those related to third quarter 2009 revenues and net income; outlook for full year 2009; 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-Q for the quarter ended March 31, 2009. 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.



Second Quarter 2009 Highlights & Business Outlook

Bob Stanzione
CEO & Chairman

Q2 2009 Highlights

§ Great quarter

- Ÿ Revenues up 10% sequentially.
- Ÿ Gross margins set new record of 42.1%
- Ÿ Cash and short term investments up almost \$100M in the quarter.
- Ÿ \$0.27 of adjusted earnings per share

§ First half of 2009 to 2008, on an adjusted basis

- Ÿ Earnings per share up by 67%
- Ÿ Operating income and net income up 61%,
- Ÿ Cash and short term investments up \$226M
- Ÿ Increased R&D by 5%

§ Sales within 1% of Q2 2008

- Ÿ International and ATS sales did not rebound in Q2 as much as expected
- Ÿ International sales up from Q1 but still below last year's level

Internet traffic growth, subscriber demand for more control of programming content and competitive pressures provide opportunities to strengthen company

Segment Overview

Broadband Communications Systems (BCS)

- **Great quarter**
 - Sales up 11% year over year and 9% sequentially.
- **Continued strong demand for our CMTS**
 - Revenues reached another all time high
 - DOCSIS 3 program is going extremely well
 - Total downstream shipments over 32,000
 - Internet traffic growing ~50% per year creates on-going demand
- **CPE shipments down approximately 4% sequentially**
 - 1.27 million devices
 - Weak economy continues to affect demand.
 - Remains a key, profitable business
 - Market share continues to be very high.
 - Growth should resume in 2010 as the economy recovers and product mix transitions to higher speed DOCSIS 3 and more highly functional devices

Segment Overview

Multimedia Communications Systems (MCS)

&

Access, Transport & Supplies (ATS)

§ Multimedia Communications Systems

- ÿ MCS sales were up 42% sequentially, best quarter ever.
- ÿ Operators need to reduce expenses, improve reliability, and provide more on-demand and advertising services.
- ÿ WorkAssure revenue recognized at the end of the quarter that we had previously expected would come in Q3.

§ Access, Transport & Supplies

- ÿ Results improved marginally in the quarter.
 - s Weak housing market
 - s Caution about new plant construction
 - s Fewer new subscribers
- ÿ Steps to improve profitability.
 - s Factory workforce reductions
 - s In-sourcing repair operations

Outlook for Q3 2009 and Beyond

- § **Customers' customers need to communicate, be entertained and have more choices.**
- § **Vigorous Internet traffic growth continues and network capacity and capability must improve.**
- § **DOCSIS 3 gaining momentum with CPE picking up as the year goes on.**
- § **Pressure for operators to reduce operating expense and improve service create new opportunities for our Assurance products.**
- § **Competition among service providers increases**

Outlook for Q3 2009 and beyond

§ **Gross margins in the ~ 40% range**

- ÿ Strong acceptance of new products
- ÿ Expected customer and product mix
- ÿ Continued cost reduction work across all product lines

§ **Visibility**

- ÿ Fairly good view of Q3 sales
- ÿ Continue to see caution being exercised by our customers

§ **Exciting new products in the pipeline**

Although precise long term visibility is uncertain, we are confident that as recovery occurs ARRIS is very well positioned to grow.

Summary

§ **ARRIS has never been stronger**

- ÿ Positioned for long term growth
- ÿ High, sustainable market shares
- ÿ More involved with our customers

§ **Great financial profile and strong balance sheet provides solid foundation for growth.**

**ARRIS is a healthy company,
operating in a healthy segment of the economy**



Q2 2009 Financial Highlights

David Potts
Chief Financial Officer



Financial Highlights

Q2 and First Half 2009

(Preliminary and Unaudited)

	Q2 2009	Q2 2008	H/(L)	First Half 2009	First Half 2008	H/(L)
Sales - \$M	278.5	281.1	(2.6)	532.0	554.6	(22.6)
Gross Margin - \$M	117.3	92.9	24.4	212.8	178.1	34.7
Gross Margin - %	42.1%	33.0%	9.1 pts	40.0%	32.1%	7.9 pts
SG&A / R&D - \$M	69.3	64.7	4.6	133.0	129.8	3.2
Amortization of Intangibles / Restructuring - \$M	9.9	12.6	(2.7)	19.2	26.3	(7.1)
EPS - GAAP (1)	0.18	0.06	0.12	0.28	0.09	0.19
Adjusted EPS - Non-GAAP (2)	0.27	0.15	0.12	0.45	0.27	0.18
Cash & Short-term Investments - \$M	524.0	297.8	226.2	524.0	297.8	226.2
Cash Provided by Operating Activities - \$M	94.3	10.4	83.9	108.2	40.9	67.3
Weighted average common shares - diluted - M	128.1	124.7	3.4	126.5	128.2	(1.7)
Backlog - \$M	165.7	206.0	(40.3)	165.7	206.0	(40.3)
Book-to-Bill	1.04	1.21	(0.17)	1.10	1.12	(0.02)

(1) Q2 2008 and the First Half of 2008 as restated in accordance with FSP 14-1

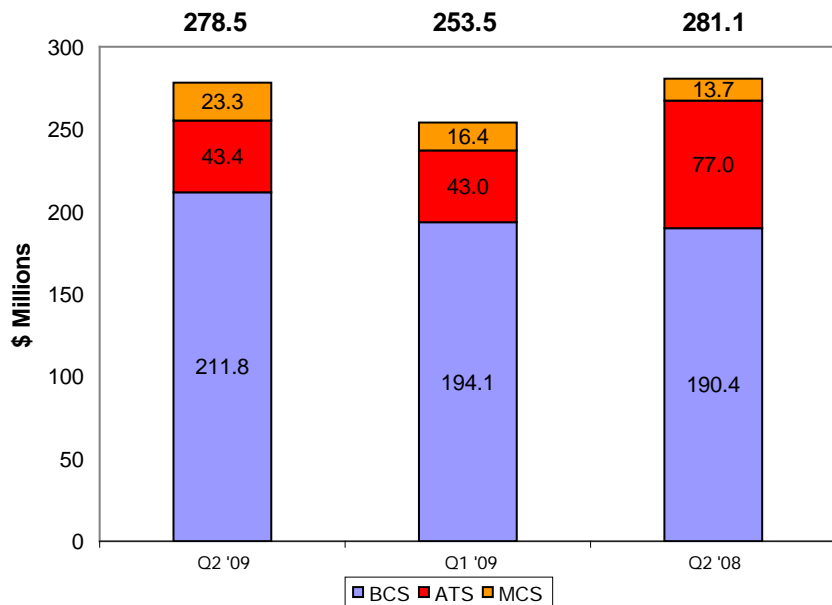
(2) See reconciliation of GAAP to Non-GAAP measures.



Sales – Q2 2009

(Preliminary & Unaudited)

Sales by Segment



Domestic / International Sales

	Q2 '09	Q1 '09	Q2 '08
Domestic - \$M	204.8	186.0	194.1
- %	73.5%	73.4%	69.1%
International - \$M	73.7	67.5	87.0
- %	26.5%	26.6%	30.9%

10% Customers

	Q2 '09	Q1 '09	Q2 '08
Time Warner Cable and Affiliates	52.9	49.1	75.3
Comcast and Affiliates	96.7	65.2	46.7

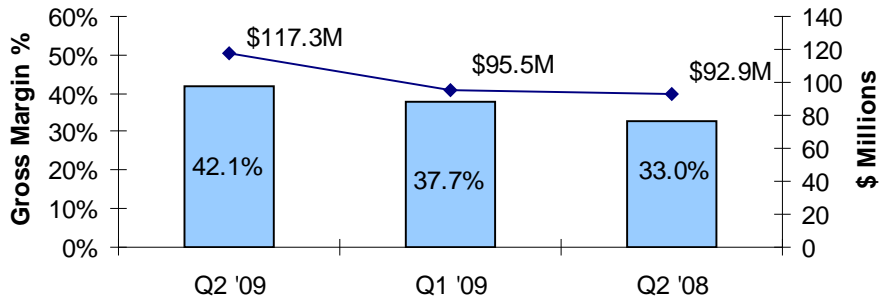




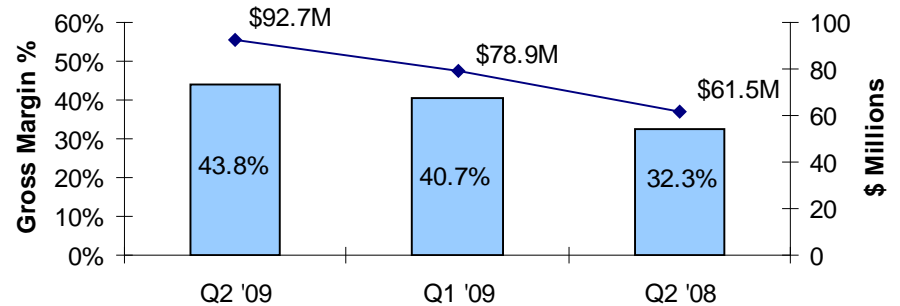
Gross Margin– Q2 2009

(Preliminary & Unaudited)

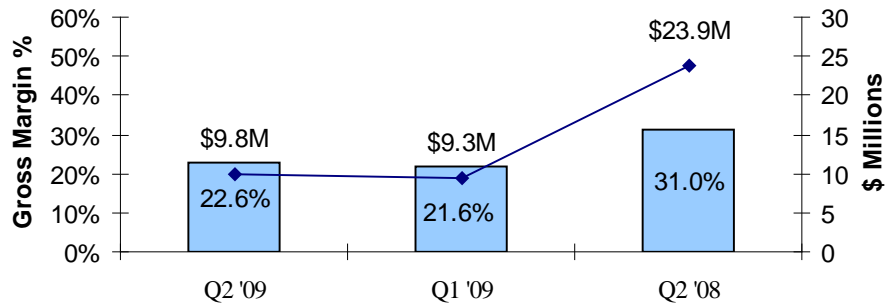
ARRIS Consolidated Gross Margin



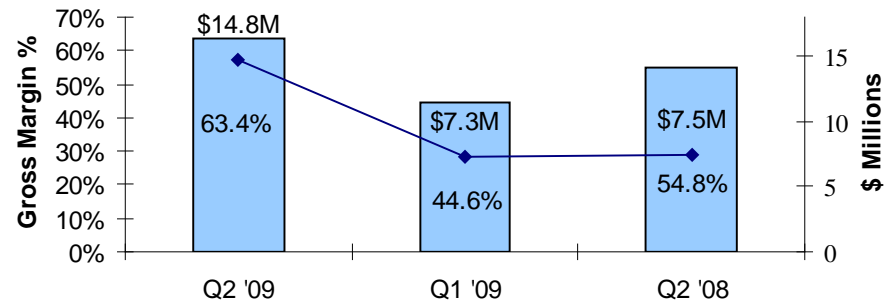
BCS Gross Margin



ATS Gross Margin



MCS Gross Margin





Operating Expenses

Q2 and First Half 2009

(Preliminary & Unaudited)

		<u>Q2 2009</u>	<u>Q2 2008</u>	<u>H(L)</u>
R&D	\$M	30.1	27.7	2.4
	% of Sales	10.8%	9.9%	0.9 pts
SG&A	\$M	39.1	37.0	2.1
	% of Sales	14.0%	13.2%	0.8 pts
Operating Expenses		<u>69.2</u>	<u>64.7</u>	<u>4.5</u>
Restructuring	\$M	0.6	0.2	0.4
	% of Sales	0.2%	0.1%	0.1 pts
Amortization of Intangibles	\$M	9.3	12.4	(3.1)
	% of Sales	3.3%	4.4%	(1.1) pts
Total				
	\$M	79.1	77.3	1.8
	% of Sales	28.3%	27.5%	

		<u>First Half 2009</u>	<u>First Half 2008</u>	<u>H(L)</u>
R&D	\$M	58.5	55.8	2.7
	% of Sales	11.0%	10.1%	0.9 pts
SG&A	\$M	74.5	74.0	0.5
	% of Sales	14.0%	13.3%	0.7 pts
Operating Expenses		<u>133.0</u>	<u>129.8</u>	<u>3.2</u>
Restructuring	\$M	0.7	0.6	0.1
	% of Sales	0.1%	0.1%	0.0 pts
Amortization of Intangibles	\$M	18.5	25.7	(7.2)
	% of Sales	3.5%	4.6%	(1.1) pts
Total				
	\$M	152.2	156.1	(3.9)
	% of Sales	28.6%	28.1%	



Balance Sheet & Cash Flow Highlights

Q2 2009

(Preliminary & Unaudited)

	<u>Q2 09</u>	<u>Q1 09</u>	<u>Q2 08</u>
Cash & Short Term Investments - \$M	524.0	424.4	297.8
Cash provided by Operating Activities - \$M	94.3	13.8	10.4
Cash used to retire 2013 Convertible Debt - \$M	0.0	10.6	0.0
Accounts Receivable, net - \$M	128.5	155.8	178.2
<i>DSOs</i>	47	57	57
Inventory, net - \$M	115.9	120.8	144.5
<i>Turns</i>	5.4	5.0	5.6
2013 Convertible Debt at Face Value- \$M	261.0	261.0	276.0

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



Q3 2009 Guidance

- § Revenue \$260M - \$280M
- § Adjusted (Non-GAAP) EPS \$0.22 - \$0.26
- § GAAP EPS \$0.14 - \$0.18
- § 129M outstanding shares assumed



EPS Guidance Reconciliation

Q3 2009 EPS Guidance

Estimated GAAP EPS	\$0.14 - \$0.18
Reconciling Items	
Amortization of Intangibles (after tax)	\$0.05
Stock Compensation Expense (after tax)	\$0.02
Non-Cash Interest - Convertible Debt (after tax)	\$0.01
Subtotal	<u>\$0.08</u>
Estimated Adjusted (Non-GAAP) EPS	<u><u>\$0.22 - \$ 0.26</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 / Adjusted EPS Reconciliation Q2 2009 (Preliminary & Unaudited)

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

	Q1 2009		Q2 2009		First Half 2009	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share (1)
Net income (loss)	\$ 12,882	\$ 0.10	\$ 22,909	\$ 0.18	\$ 35,791	0.28
Highlighted items:						
<i>Impacting gross margin:</i>						
Stock compensation expense	303	-	366	-	669	0.01
<i>Impacting operating expenses:</i>						
Restructuring charges	120	-	592	-	712	0.01
Amortization of intangible assets	9,263	0.07	9,263	0.07	18,526	0.15
Stock compensation expense	3,098	0.02	3,687	0.03	6,785	0.05
<i>Impacting other (income) / expense:</i>						
Convertible debt non-cash interest	2,818	0.02	2,718	0.02	5,536	0.04
Gain on repurchase of debt	(4,152)	(0.03)	-	-	(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	-	-	1,455	0.01
Tax related to highlighted items above	(3,646)	(0.03)	(5,322)	(0.04)	(8,968)	(0.07)
Total highlighted items	9,259	0.07	11,304	0.09	20,563	0.16
Net income excluding highlighted items	\$ 22,141	\$ 0.18	\$ 34,213	\$ 0.27	\$ 56,354	\$ 0.45
Weighted average common shares - diluted		124,920		128,054		126,482

	Q1 2008		Q2 2008		First Half 2008	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share (1)
Net income (loss)	\$ 3,829	\$ 0.03	\$ 7,829	\$ 0.06	\$ 11,658	\$ 0.09
Highlighted items:						
<i>Impacting gross margin:</i>						
Stock compensation expense	201	-	245	0.00	446	-
<i>Impacting operating expenses:</i>						
Integration costs	427	-	-	-	427	-
Restructuring charges	405	-	175	0.00	580	-
Amortization of intangible assets	13,254	0.10	12,454	0.10	25,708	0.20
Stock compensation expense	2,350	0.02	2,595	0.02	4,945	0.04
<i>Impacting other (income) / expense:</i>						
Convertible debt non-cash interest	2,605	0.02	2,657	0.02	5,262	0.04
<i>Impacting income tax expense:</i>						
Tax related to highlighted items above	(7,268)	(0.06)	(6,726)	(0.05)	(13,994)	(0.11)
Total highlighted items	11,974	0.09	11,400	0.09	23,374	0.18
Net income excluding highlighted items	\$ 15,803	\$ 0.12	\$ 19,229	\$ 0.15	\$ 35,032	\$ 0.27
Weighted average common shares - diluted		131,981		124,651		128,190

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.



Second Quarter 2009 ARRIS Earnings Conference Call

Q & A