



Fourth Quarter and Full Year 2008

ARRIS Earnings Conference Call

February 11, 2009



Safe Harbor

Statements in this presentation, including those related to fourth quarter and full year 2008 revenues and net income; 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-Q for the quarter ended September 30, 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.



2008 Highlights & Business Outlook

Bob Stanzione
CEO & Chairman



Q408 Performance Highlights...

- **CMTS business at record levels**
 - Downstream port shipments up 12% to 33,000
 - Revenue at highest quarterly level
 - Expansion into Eastern Europe, Latin America, Japan
 - International CMTS revenue at 36%
 - Market share ~40% worldwide
- **EMTA business continues strong**
 - 1.6 million units
 - Twice as large market share as nearest competitor
 - DOCSIS 3.0 demand coming



Q408 Performance Highlights...

- **ATS**

- Business impacted by macro-economics
- Margins up sequentially
- Strong optical product sales
- Cost reductions at factory

- **MCS**

- Business slightly down
- Awaiting acceptance of WorkAssure project
- Mix shift toward On-Demand and Ad insertion



Q408 Performance Highlights...

- **Gross Margin – 37.2%**
 - Mix
 - Cost reductions
 - Price stability

- **Cash from Operations - \$103M!**
 - Healthy receivables
 - DSO down 2 days



Full Year 2008 Performance Highlights...

- **Successful integration of C-COR**
 - Diversified customer base
 - Expanded product lines
 - Achieved promised synergies
 - Improved financial profile
 - Raised stature of ARRIS
- **First \$1 Billion sales year**
- **Prudent Balance Sheet Management**
 - \$189 million of cash from operating activities
 - Reduced debt by \$35M
 - Used \$76M to repurchase 10% of shares
- **\$1B milestone for C4 CMTS installed base**
- **Led the introduction of DOCSIS 3.0 in our industry**
- **MCS record revenue – AI, VOD, OSS**
- **Increased Gross Margin Percentage**
- **SG&A Efficiency**



2008, a strong year that positions the Company well for the future....

- **Strong balance sheet**
- **Solid cash position**
- **Leading market share**
- **Sustainable business model**
- **Great growth potential**
- **Talented and experienced employee team**



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**



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 in look strong
- DOCSIS 3.0 CPE to begin later this year
- Drivers of Competition and Internet traffic growth



Fourth Quarter & Full Year 2008 Financial Highlights

David Potts
Chief Financial Officer



Financial Highlights – Q4 2008

(Preliminary & Unaudited)

	Q4 2008	Q4 2007	H/(L)	Q4 2008 Combined	Q4 2007 Combined (2) (3)	H/(L)
Sales - \$M	292.4	249.6	42.8	292.4	311.9	(19.5)
Gross Margin - \$M	108.9	63.9	45.0	108.9	87.9	21.0
Gross Margin - %	37.2%	25.6%	11.6 pts	37.2%	28.2%	9.0 pts
SG&A / R&D - \$M	66.2	43.0	23.2	66.2	81.5	(15.3)
Amortization of Intangibles / Restructuring - \$M	9.8	2.1	7.7			
Goodwill Impairment - \$M	175.0	0.0	175.0			
In Process R&D Expense - \$M	0.0	6.1	(6.1)			
EPS - GAAP	(1.09)	0.08	(1.17)			
Adjusted EPS - Non-GAAP (1)	0.25	0.16	0.09			
Cash & Short-term Investments - \$M	427.3	391.8	35.5			
Cash Provided by Operating Activities - \$M	102.5	52.8	49.7			
Weighted average common shares - diluted - M	123.1	117.1				
Backlog - \$M	114.8	136.7				
Book-to-Bill	0.90	1.17				

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

(2) Sum of ARRIS and C-COR reported sales and gross margin, unaudited

(3) C-COR gross margin and SG&A have been adjusted to conform to ARRIS accounting policies.



Financial Highlights – Full Year 2008

(Preliminary & Unaudited)

	Full Year 2008	Full Year 2007	H/(L)	2008 Combined	2007 Combined (2) (3)	H/(L)
Sales - \$M	1,144.6	992.2	152.4	1,144.6	1,273.9	(129.3)
Gross Margin - \$M	393.1	273.9	119.2	393.1	394.5	(1.4)
Gross Margin - %	34.3%	27.6%	6.7 pts	34.3%	31.0%	3.3 pts
SG&A / R&D - \$M	256.5	171.1	85.4	256.5	282.6	(26.1)
Amortization of Intangibles / Restructuring - \$M	45.4	2.3	43.1			
Goodwill Impairment - \$M	175.0	0.0	175.0			
In Process R&D Expense - \$M	0.0	6.1	(6.1)			
EPS - GAAP	(0.76)	0.87	(1.63)			
Adjusted EPS - Non-GAAP (1)	0.77	0.79	(0.02)			

(1) See reconciliation of GAAP to Non GAAP measures.

(2) Sum of ARRIS and C-COR reported Sales and Gross Margin, unaudited

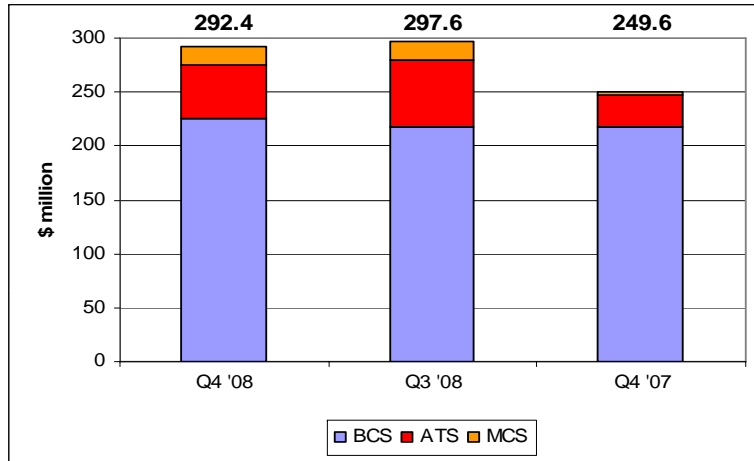
(3) C-COR Gross Margin and SG&A have been adjusted to conform to ARRIS accounting policies.



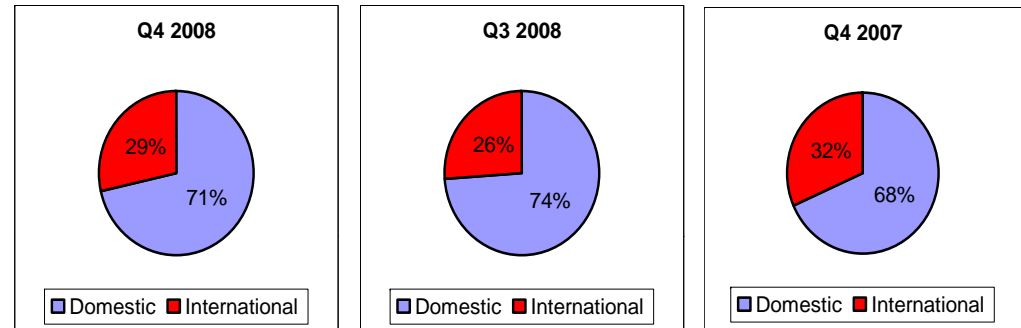
Sales – Q4 2008

(Preliminary & Unaudited)

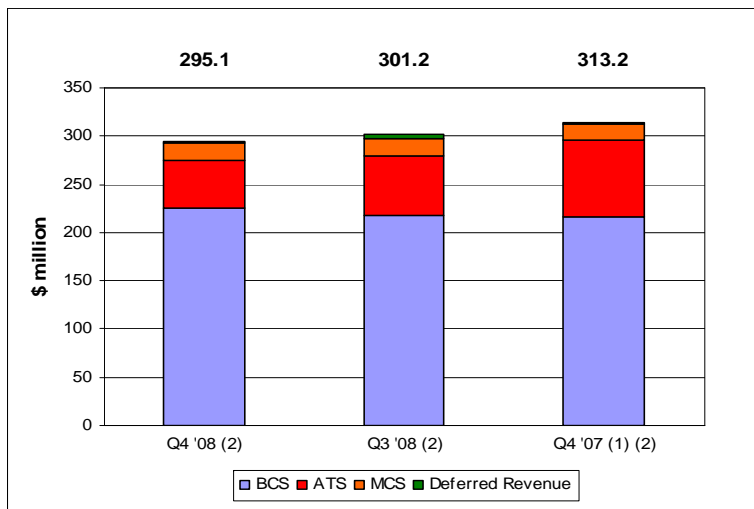
Sales by Segment – As Reported



Estimated Split of Combined Domestic / International Sales ⁽¹⁾



Estimated Combined Sales by Segment – Adjusted ⁽¹⁾ ⁽²⁾



10% Customers ⁽³⁾:

	Q4 '08	Q3 '08	Q4 '07	Q4 '07 ⁽¹⁾
Time Warner Cable and Affiliates	45.3	43.9	30.9	56.1
Comcast and Affiliates	119.1	100.9	88.2	96.5
Liberty Media and Affiliates	34.4	12.5	20.3	20.3

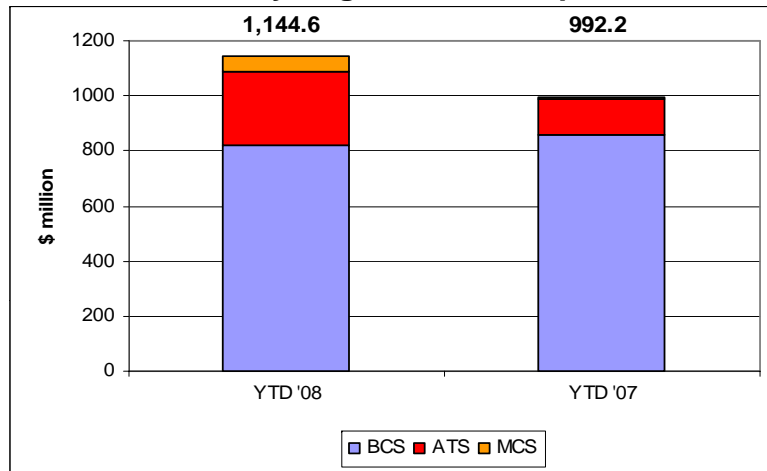
- (1) Sum of ARRIS and C-COR reported sales, unaudited
- (2) Includes estimated purchase accounting impacts related to deferred revenue.
- (3) Prior periods have been adjusted to present the affiliates currently under common control



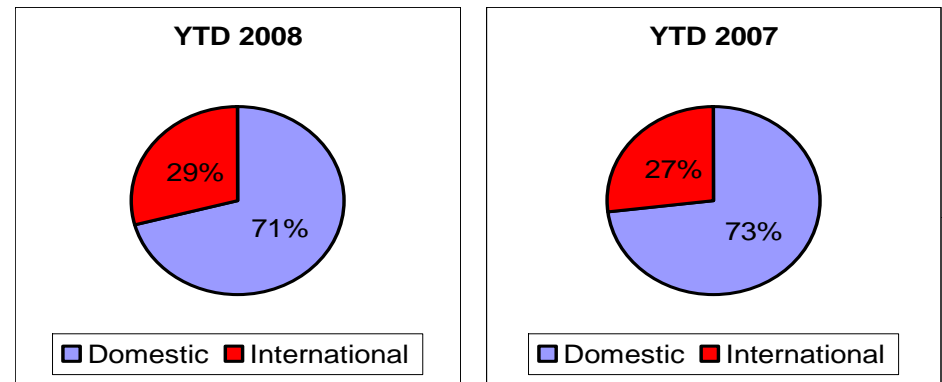
Sales – Full Year 2008

(Preliminary & Unaudited)

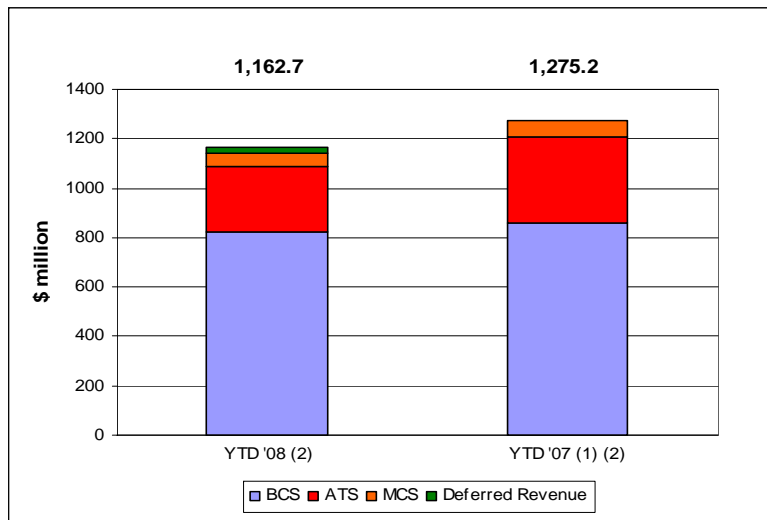
Sales by Segment – As Reported



Estimated Split of Combined Domestic / International Sales ⁽¹⁾



Estimated Combined Sales by Segment – Adjusted ⁽¹⁾ ⁽²⁾



10% Customers ⁽³⁾ :

	YTD '08	YTD '07	YTD '07 ⁽¹⁾
Time Warner Cable and Affiliates	235.4	106.4	203.3
Comcast and Affiliates	300.9	366.8	401.9
Liberty Media and Affiliates	83.2	69.5	78.2

⁽¹⁾ Sum of ARRIS and C-COR reported sales, unaudited

⁽²⁾ Includes estimated purchase accounting impacts related to deferred revenue.

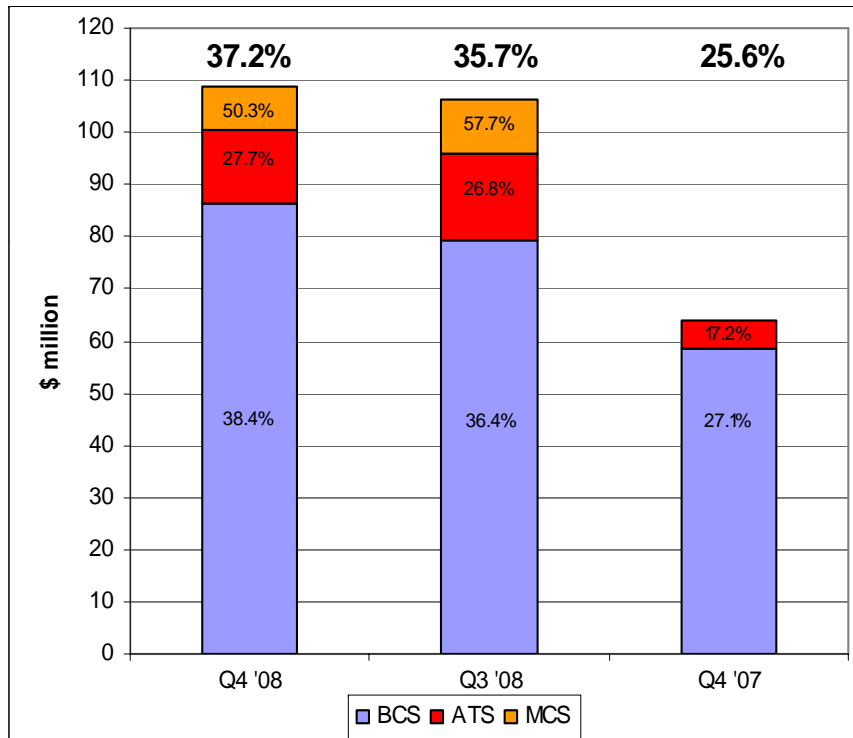
⁽³⁾ Prior periods have been adjusted to present the affiliates currently under common control



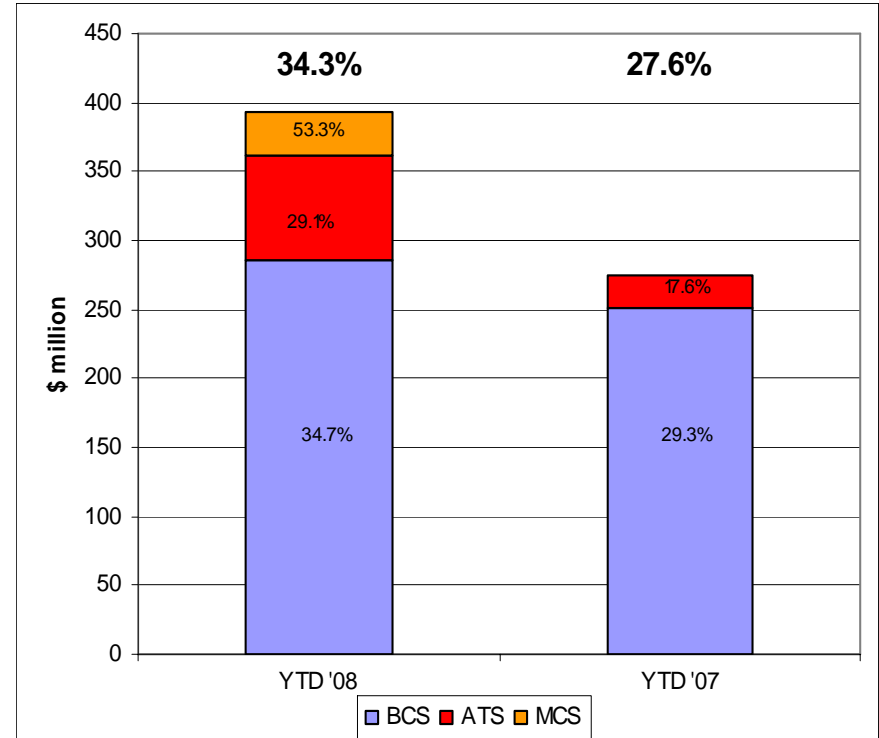
Gross Margin Q4 and Full Year 2008 (Preliminary & Unaudited)

Gross Margin by Segment

Quarterly



Full Year



• Achieved margin expansion!



Operating Expenses Q4 and Full Year 2008 (Preliminary & Unaudited)

		Q4 2008		Q4 2007	Q4 2007 Combined (1) (2)		YTD 2008		YTD 2007	YTD 2007 Combined (1) (2)	
		\$M	% of Sales	\$M	% of Sales		\$M	% of Sales	\$M	% of Sales	
R&D	\$M	29.3	10.0%	17.5	27.0	R&D	\$M	112.5	9.8%	71.2	106.3
	% of Sales			7.0%	8.7%		% of Sales			7.2%	8.3%
SG&A	\$M	36.9	12.6%	25.5	54.6 (3)	SG&A	\$M	144.0	12.6%	99.9	176.3 (3)
	% of Sales			10.2%	17.5%		% of Sales			10.1%	13.8%
Operating Expenses		66.2		43.0	81.6	Operating Expenses		256.5		171.1	282.6
Restructuring	\$M	0.4	0.1%	0.0	0.1	Restructuring	\$M	1.2	0.1%	0.5	1.1
	% of Sales			0.0%	0.0%		% of Sales			0.1%	0.1%
Goodwill Impairment	\$M	175.0	59.8%	0.0	-	Goodwill Impairment	\$M	175.0	15.3%	0.0	-
	% of Sales			0.0%	0.0%		% of Sales			0.0%	0.0%
In Process R&D	\$M	0.0	0.0%	6.1	6.1	In Process R&D	\$M	0.0	0.0%	6.1	6.1
	% of Sales			2.4%	2.0%		% of Sales			0.6%	0.5%
Amortization of Intangibles	\$M	9.4	3.2%	2.1	2.6	Amortization of Intangibles	\$M	44.2	3.9%	2.3	5.0
	% of Sales			0.8%	0.8%		% of Sales			0.2%	0.4%
Total		251.0	85.8%	51.2	90.4	Total		476.9	41.7%	180.0	294.8
	% of Sales			20.5%	29.0%		% of Sales			18.1%	23.1%

- (1) Sum of ARRIS and C-COR reported expenses, unaudited
(2) C-COR SG&A has been adjusted to conform to ARRIS accounting policies
(3) Includes approximately \$15M of costs incurred by C-COR pre close associated with the acquisition (change of control, etc)



Taxes – Full Year 2008

(Preliminary & Unaudited)

	Full Year 2008		
	Income before Tax	Tax	Effective Rate
\$M			
As reported	(82.6)	12.5	
Key Items			
Goodwill Impairment	175.0	-	
Deferred Taxes related to goodwill impairment	-	18.0	
Adjusted for Key Items	92.4	30.5	33%



Balance Sheet & Cash Flow Highlights – Q4 2008 (Preliminary & Unaudited)

	<u>Q4 08</u>	<u>Q3 08</u>	<u>Q2 08</u>	<u>Q1 08</u>
Cash & Short Term Investments - \$M	427.3	329.6	297.8	293.0
Cash provided by Operating Activities - \$M	102.5	45.4	10.4	30.5
Accounts Receivable, net - \$M	159.4	180.4	178.2	172.7
<i>DSOs</i>	53	55	57	57
Inventory, net - \$M	129.8	139.6	144.5	122.4
<i>Turns</i>	5.5	5.4	5.6	5.9

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

- Strong cash generation and balance sheet management.



Q1 2009 Guidance

- **Revenue \$245M - \$265M**
- **Adjusted (Non-GAAP) EPS \$0.14 - \$0.19**
- **GAAP EPS \$0.06 - \$0.11**
 - Implementing new accounting rules for convertible debt
 - \$0.01 per share after tax impact in Q109
- **124.7M outstanding shares assumed**



EPS Guidance Reconciliation

Q1 2009 EPS Guidance

Estimated GAAP EPS	\$0.06 - \$0.11
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>\$0.14 - \$ 0.19</u>

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



Q408 Earnings Conference Call Questions & Answers

February 11, 2009