



Second Quarter 2010

ARRIS Earnings Conference Call

July 28, 2010

Safe Harbor

Statements in this presentation or made on this call, including those related to third quarter 2010 (and beyond) revenues and net income, cash flows, gross margins, operating expenses, income taxes, expected sales levels, acceptance of certain ARRIS products, the general market outlook and 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; the impact of acquisitions; 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, 2010. 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 2010 Highlights & Business Outlook

**Bob Stanzione
CEO & Chairman**

Q2 2010 in line with our expectations

- Q2 2010 revenues of \$280.4M as compared to Q2 2009 revenues of \$278.5M and Q1 2010 revenues of \$266.7M
- Gross margins at 40.4% compared to 42.1% in Q2 2009 based on mix shift
- \$0.24 of adjusted (non-GAAP)* earnings per share (GAAP: \$0.15)* compared to \$0.27 in Q2 2009 (GAAP \$0.18) and \$0.24 (GAAP \$0.15) in Q1 2010
- Order backlog at \$174.1 million up from \$165.7 million at Q2 2009
- Great operating metrics... inventory turns, DSOs, cash
- Repurchased 1.9 million shares and \$5 million of debt

*See reconciliation of GAAP to non-GAAP measures

Q2 2010 Highlights

- **Internet traffic growth continues as primary business driver**
- **Shift in customer and product mix**
- **International remains solid at 33% of sales**
- **Sales to Comcast and Time Warner rebounded in Q2**
- **Won significant Time Warner CMTS business**
- **Strong EMTA, Multi-line and Wireless Gateway shipments**

BCS Highlights

- **CMTS downstream port shipments over 41,000**
 - Upstream port shipments over 21,000
- **New wins for D5 E-QAMS and video encoder/transcoders**
- **1.4 million CPE units shipped...highest level in six quarters**
- **Momentum grows on DOCSIS 3.0 wideband service deployment**
 - DOCSIS 3.0 CPE adoption up 109% over Q1
 - 24.5% of total CPE units shipped in Q2...
 - Precursor of anticipated growing traffic volumes and speeds
- **Aggressive Investment in Next Gen IP Architectures**
- **Short term decline in CMTS demand**

ATS & MCS Highlights

- **ATS Revenues up ~14% over Q1 and up ~11% over Q2 2009**
- **ATS Margins up sequentially and year over year**
- **Growing Professional Services business**
- **RFoG and EPON field trials increase at multiple MSO's in North America and Europe**
- **MCS below expectations due to delay in project acceptance of key projects**
- **Recognized first FMC revenue at Tier 1 NA MSO**
- **MCS revenues should rebound in Q3 2010**

Business Outlook

- **Movement to everything IP, everywhere continues**
- **DOCSIS 3.0 CPE accelerating driven by new DOCSIS 3.0 service deployments**
- **Internet traffic doubles every 18 to 24 months creating ongoing need for customer capacity investments**
- **International demand is strong and growing**

Summary

- **Short term decline in CMTS demand**
- **Total addressable market expanding as technology disruptions create new opportunities**
- **Deeply involved with our customers**
- **Exciting new products in the pipeline**
- **High, sustainable market shares**
- **Great financial profile and strong balance sheet provide solid foundation for long-term growth**

Q2 2010 Financial Highlights

David Potts
Chief Financial Officer

Financial Highlights

Q2 and First Half 2010

(Preliminary and Unaudited)

| | Q2 2010 | Q2 2009 | H/(L) | First Half 2010 | First Half 2009 | H/(L) |
|---|---------|---------|-----------|-----------------|-----------------|---------|
| Sales - \$M | 280.4 | 278.5 | 1.9 | 547.1 | 532.0 | 15.1 |
| Gross Margin - \$M | 113.3 | 117.3 | (4.0) | 225.8 | 212.8 | 13.0 |
| Gross Margin - % | 40.4% | 42.1% | (1.7) pts | 41.3% | 40.0% | 1.3 pts |
| SG&A / R&D - \$M | 70.0 | 69.3 | 0.7 | 139.5 | 133.0 | 6.5 |
| Amortization of Intangibles / Restructuring - \$M | 9.0 | 9.9 | (0.9) | 18.1 | 19.2 | (1.1) |
| EPS - GAAP | \$ 0.15 | \$ 0.18 | \$(0.03) | 0.30 | 0.28 | 0.02 |
| Adjusted EPS - Non-GAAP ⁽¹⁾ | \$ 0.24 | \$ 0.27 | \$(0.03) | 0.48 | 0.45 | 0.03 |
| Cash, and Short-term Investments - \$M | 663.4 | 524.0 | 139.4 | 663.4 | 524.0 | 139.4 |
| Cash Provided by Operating Activities - \$M | 35.2 | 94.3 | (59.1) | 83.4 | 108.2 | (24.8) |
| Share Repurchases - \$M | 20.6 | 0.0 | 20.6 | 23.7 | 0.0 | 23.7 |
| Debt Retirement (face value) - \$M | 5.0 | 0.0 | 5.0 | 5.0 | 15.0 | (10.0) |
| Weighted average common shares - diluted - M | 130.7 | 128.1 | 2.6 | 130.3 | 126.5 | 3.8 |
| Backlog - \$M | 174.1 | 165.7 | 8.4 | 174.1 | 165.7 | 8.4 |
| Book-to-Bill | 0.92 | 1.04 | (0.12) | 1.05 | 1.10 | (0.05) |

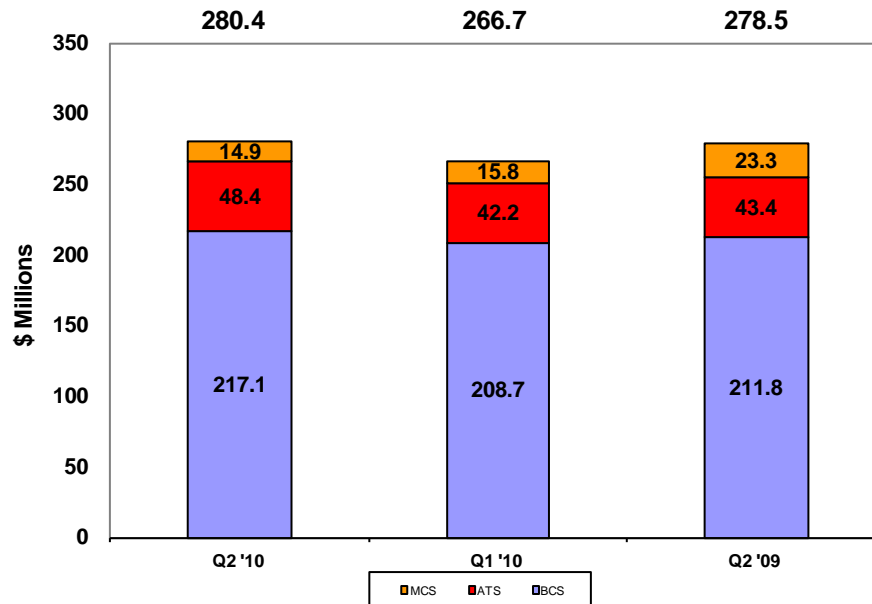
(1) See reconciliation of GAAP to Non-GAAP measures.



Sales Q2 2010

(Preliminary & Unaudited)

Sales by Segment



Domestic / International Sales

| | | Q2 '10 | Q1 '10 | Q2 '09 |
|---------------|-------|--------|--------|--------|
| Domestic | - \$M | 187.8 | 157.9 | 204.8 |
| | - % | 67.0% | 59.2% | 73.5% |
| International | - \$M | 92.6 | 108.8 | 73.7 |
| | - % | 33.0% | 40.8% | 26.5% |

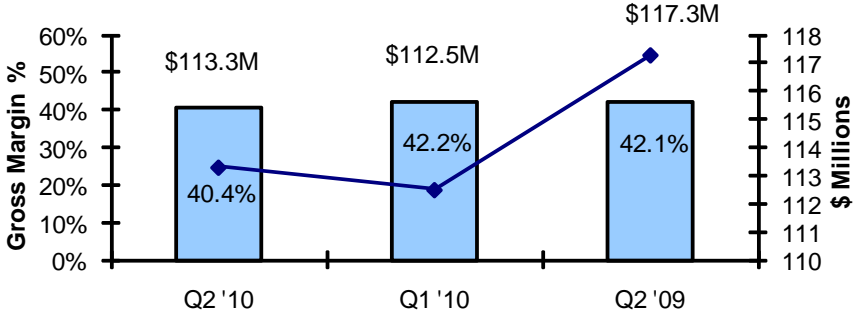
10% Customers

| | Q2 '10 | Q1 '10 | Q2 '09 |
|----------------------------------|--------|--------|--------|
| Time Warner Cable and Affiliates | 52.9 | 41.1 | 52.9 |
| Comcast and Affiliates | 66.3 | 46.3 | 96.7 |

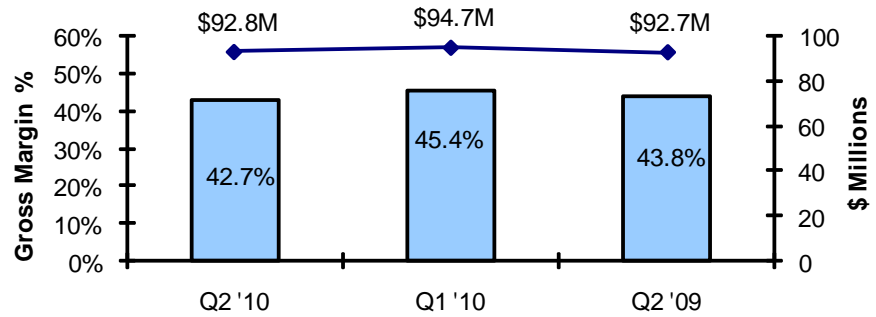
Gross Margin Q2 2010

(Preliminary & Unaudited)

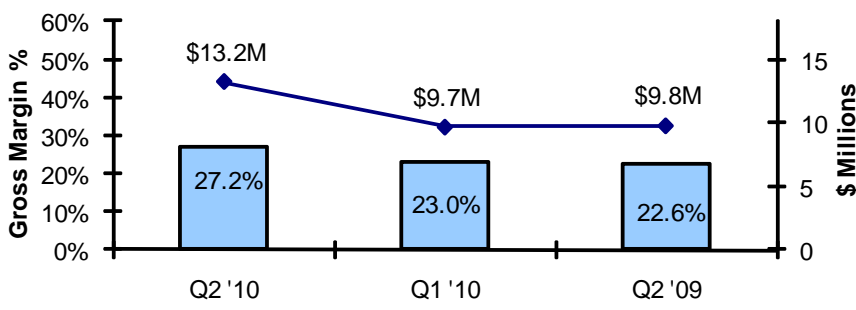
ARRIS Consolidated Gross Margin



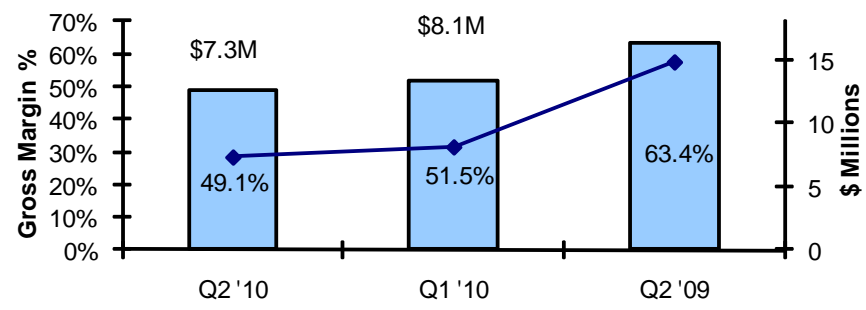
BCS Gross Margin



ATS Gross Margin



MCS Gross Margin



Operating Expenses

Q2 and First Half 2010

(Preliminary & Unaudited)

| | | Q2 2010 | Q2 2009 | H(L) |
|-----------------------------|------------|---------|---------|-----------|
| R&D | \$M | 35.5 | 30.2 | 5.3 |
| | % of Sales | 12.7% | 10.8% | 1.9 pts |
| SG&A | \$M | 34.5 | 39.1 | (4.6) |
| | % of Sales | 12.3% | 14.0% | (1.7) pts |
| Operating Expenses | \$M | 70.0 | 69.3 | 0.7 |
| | % of Sales | 25.0% | 24.9% | 0.1 pts |
| Restructuring | \$M | 0.0 | 0.6 | (0.6) |
| | % of Sales | 0.0% | 0.2% | (0.2) pts |
| Amortization of Intangibles | \$M | 9.0 | 9.3 | (0.3) |
| | % of Sales | 3.2% | 3.3% | (0.1) pts |
| Total | \$M | 79.0 | 79.2 | (0.2) |
| | % of Sales | 28.2% | 28.4% | (0.2) pts |

| | | First Half 2010 | First Half 2009 | H(L) |
|-----------------------------|------------|--------------------|--------------------|-----------|
| R&D | \$M | 69.9 | 58.5 | 11.4 |
| | % of Sales | 12.8% | 11.0% | 1.8 pts |
| SG&A | \$M | 69.6 | 74.5 | (4.9) |
| | % of Sales | 12.7% | 14.0% | (1.3) pts |
| Operating Expenses | \$M | 139.5 | 133.0 | 6.5 |
| | % of Sales | 25.5% | 25.0% | 0.5 pts |
| Restructuring | \$M | 0.1 | 0.7 | (0.6) |
| | % of Sales | 0.0% | 0.1% | (0.1) pts |
| Amortization of Intangibles | \$M | 18.0 | 18.5 | (0.5) |
| | % of Sales | 3.3% | 3.5% | (0.2) pts |
| Total | \$M | 157.6 | 152.2 | 5.4 |
| | % of Sales | 28.8% | 28.6% | 0.2 pts |

Balance Sheet & Cash Flow Highlights

Q2 2010

(Preliminary & Unaudited)

| | <u>Q2 10</u> | <u>Q1 10</u> | <u>Q4 09</u> | <u>Q3 09</u> | <u>Q2 09</u> | <u>Q1 09</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Cash & Short-term Investments - \$M | 663.4 | 661.1 | 625.6 | 561.7 | 524.0 | 424.4 |
| Long-term Marketable Securities - \$M | 0.0 | 0.0 | 0.0 | 15.0 | 0.0 | 0.0 |
| Total - \$M | 663.4 | 661.1 | 625.6 | 576.7 | 524.0 | 424.4 |
| | | | | | | |
| Cash provided by Operating Activities - \$M | 35.2 | 48.2 | 69.8 | 63.1 | 94.3 | 13.8 |
| Cash used to retire 2013 Convertible Debt - \$M | 4.8 | 0.0 | 0.0 | 0.0 | 0.0 | 10.6 |
| Cash used for Share Repurchases - \$M | 20.6 | 3.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | |
| Accounts Receivable, net - \$M | 139.7 | 139.2 | 143.7 | 119.1 | 128.5 | 155.8 |
| <i>DSOs</i> | 45 | 48 | 40 | 41 | 47 | 57 |
| | | | | | | |
| Inventory, net - \$M | 78.8 | 79.9 | 95.9 | 100.0 | 115.9 | 120.8 |
| <i>Turns</i> | 8.4 | 7.0 | 6.8 | 5.9 | 5.4 | 5.0 |
| | | | | | | |
| 2013 Convertible Debt at Face Value- \$M | 256.1 | 261.1 | 261.1 | 261.1 | 261.1 | 261.1 |
| 2013 Convertible Debt at Book Value- \$M | 212.9 | 214.1 | 211.2 | 208.4 | 205.7 | 203.0 |

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

Q3 2010 Guidance

- Revenue \$270M - \$290M
- Adjusted (Non-GAAP) EPS \$0.16 - \$0.20
- GAAP EPS \$0.07 - \$0.11
- 129M diluted shares assumed

EPS Guidance Reconciliation

| | |
|--|-------------------------------|
| Estimated GAAP EPS - diluted | \$0.07 - \$0.11 |
| Reconciling Items: | |
| Amortization of intangibles, after tax | 0.05 |
| Stock compensation expense, after tax | 0.03 |
| Non-cash interest expense, after tax | 0.01 |
| Subtotal | <u>0.09</u> |
| Estimated adjusted (non-GAAP) EPS - diluted | <u><u>\$0.16 - \$0.20</u></u> |

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

GAAP EPS / Adjusted EPS Reconciliation

Q2 2010

(Preliminary & Unaudited)

| | Q1 2010 | | Q2 2010 | | First Half 2010 | |
|---|-----------|-------------------|-----------|-------------------|-----------------|-------------------|
| | Amount | Per Diluted Share | Amount | Per Diluted Share | Amount | Per Diluted Share |
| Net income | \$ 18,991 | \$ 0.15 | \$ 19,774 | \$ 0.15 | \$ 38,765 | \$ 0.30 |
| Highlighted items: | | | | | | |
| <i>Impacting gross margin:</i> | | | | | | |
| Stock compensation expense | 433 | - | 481 | - | 914 | 0.01 |
| <i>Impacting operating expenses:</i> | | | | | | |
| Acquisition costs, restructuring and other | 52 | - | 21 | - | 73 | - |
| Amortization of intangible assets | 9,022 | 0.07 | 9,022 | 0.07 | 18,044 | 0.14 |
| Stock compensation expense | 4,088 | 0.03 | 5,272 | 0.04 | 9,360 | 0.07 |
| <i>Impacting other (income) / expense:</i> | | | | | | |
| Non-cash interest expense | 2,883 | 0.02 | 2,884 | 0.02 | 5,767 | 0.04 |
| Gain on retirement of debt | - | - | (115) | - | (115) | - |
| <i>Impacting income tax expense:</i> | | | | | | |
| Adjustments of income tax valuation allowances and research & development credits and other | 1,222 | 0.01 | (351) | - | 871 | 0.01 |
| Tax related to highlighted items above | (5,505) | (0.04) | (6,170) | (0.05) | (11,675) | (0.09) |
| Total highlighted items | 12,195 | 0.09 | 11,044 | 0.08 | 23,239 | 0.18 |
| Net income excluding highlighted items | \$ 31,186 | \$ 0.24 | \$ 30,818 | \$ 0.24 | \$ 62,004 | \$ 0.48 |
| Weighted average common shares - diluted | | 129,975 | | 130,690 | | 130,334 |

| | Q1 2009 | | Q2 2009 | | First Half 2009 | |
|---|-----------|-------------------|-----------|-------------------|-----------------|-------------------|
| | Amount | Per Diluted Share | Amount | Per Diluted Share | Amount | Per Diluted Share |
| Net income | \$ 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> | | | | | | |
| Acquisition costs, restructuring and other | 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> | | | | | | |
| Non-cash interest expense | 2,818 | 0.02 | 2,718 | 0.02 | 5,536 | 0.04 |
| Gain on retirement 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 |

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 acquisitions. The acquisition costs, restructuring, and other 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. In the first and second quarters of 2010 and in the first quarter of 2009, income tax expense adjustments were recorded for state valuation allowances and research and development tax credits. During the first quarter of 2009 and second quarter of 2010, ARRIS repurchased a portion of their convertible debt and recognized a gain of approximately \$4.2 million, and \$0.1 million, respectively.

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.



GAAP Operating Income / Adjusted Operating Income Reconciliation (Preliminary & Unaudited)

(in thousands)

| | Q2 2010 (unaudited) | Q2 2009 (unaudited) | First Half 2010 (unaudited) | First Half 2009 (unaudited) |
|--|------------------------|------------------------|--------------------------------|--------------------------------|
| Operating Income as reported | \$ 34,239 | \$ 38,154 | \$ 68,194 | \$ 60,543 |
| Operating Income as a % of sales | 12% | 14% | 12% | 11% |
| Highlighted Items: | | | | |
| Stock compensation expense | 5,753 | 4,053 | 10,274 | 7,454 |
| Acquisition costs, restructuring and other | 21 | 592 | 73 | 712 |
| Amortization of intangible assets | 9,022 | 9,263 | 18,044 | 18,526 |
| Operating Income excluding highlighted items | 49,035 | 52,062 | 96,585 | 87,235 |
| Operating Income excluding highlighted items as a % of sales | 17% | 19% | 18% | 16% |

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



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Q & A