Pace plc

Interim financial results for the period ended 30 June 2015

28 July 2015

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Pace interim results (for the period ended 30 June 2015)

- Overview
- Financial results
- Business update
- Outlook
- Questions

Overview

Solid start to 2015; increased profitability on expected lower revenue with continuing strong cash flow generation

- Revenue $1,078.6m, 5.3% decrease (H1 2014: $1,138.9m)
- Adjusted EBITA[1] $118.0m, 11.0% increase (H1 2014: $106.3m), operating margin[2] 10.9% (H1 2014: 9.3%)
- Adjusted basic EPS[3] 28.4c, 11.4% increase (H1 2014: 25.5c)
- Free cash flow[4] of $93.9m, 79.6% of adjusted EBITA

Continued progress made against the Strategic Plan originally laid out in November 2011

Continued momentum and confident of making further progress in H2 2015 and beyond

- Strong revenue growth anticipated in H2 2015 driven by new product launches and increased demand for existing products

Proposed combination with ARRIS Group progressing in-line with expectations and is expected to complete in late 2015[5]

[1] Adjusted EBITA is operating profit before exceptional costs and the amortisation of other intangible assets.
[2] Operating margin is adjusted EBITA as a percentage of revenue.
[3] Adjusted basic EPS is based on earnings before the post-tax value of exceptional costs and the amortisation of other intangible assets and adjusted for the one-off benefits of prior year adjustments to the tax charge.
[4] Free cash flow is calculated as cash flow before proceeds from issue of shares, dividends, acquisition cash flows and debt repayment / draw down.
[5] Subject to the satisfaction, or where relevant, waiver, of all relevant conditions.

Financial results

Consolidated income statement (H1 2015)

P&L $m	*Group H1 2014*	***Group H1 2015***	*variance*
Revenue	1,138.9	**1,078.6**	(5.3)%
Gross margin	245.8	**250.7**	2.0%
Gross margin %	21.6%	**23.2%**	1.6ppt
Adjusted administrative expenses[1]	139.5	**132.7**	(4.9)%
Adjusted EBITA[2]	106.3	**118.0**	11.0%
Operating margin[3] %	9.3%	**10.9%**	1.6ppt
Exceptional costs	(3.5)	**(5.0)**	42.9%
Amortisation of other intangible assets	(27.7)	**(24.3)**	(12.3)%
Interest	(3.1)	**(3.6)**	16.1%
Profit before tax	72.0	**85.1**	18.2%
Tax credit / (charge)	(16.6)	**0.3**	(101.8)%
Profit after tax	55.4	**85.4**	54.2%
Basic EPS (cents)	17.8c	**27.1c**	52.2%
Adjusted basic EPS[4] (cents)	25.5c	**28.4c**	11.4%
Dividend per share (cents)	2.25c	**-**	n/a

Revenue
- Expected $60.3m decrease as challenging economic conditions, the strength of the US Dollar and industry consolidation reduced demand in a number of regions

Gross margin
- Gross margin percentage increased due to improved product mix and supply chain efficiencies

Administrative expenses
- Underlying expenses (excluding IAS 38 adjustments) reduced by 11.6% ($17.9m)

Operating margin
- Operating margin up 1.6ppt to 10.9%

Exceptional costs
- Transaction costs related to the proposed combination with ARRIS ($2.8m), restructuring costs ($1.3m) and aborted acquisition costs ($0.9m)

Interest
- Increased due to lower interest received

Tax
- Tax credit reflects one-off prior year adjustments. Underlying annual effective tax rate ("ETR") of 21.7%

Adjusted Earnings per share
- Growth due to improved operating profitability, reduced amortisation and lower underlying ETR

Dividend
- In view of the proposed combination, the Board does not intend to recommend the payment of any further dividends at this time

[1] Adjusted administrative expenses are administrative expenses before exceptional costs and amortisation of other intangible assets.
[2] Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangible assets.
[3] Operating margin is adjusted EBITA as a percentage of revenue.
[4] Adjusted basic EPS is based on earnings before the post-tax value of exceptional costs and the amortisation of other intangible assets and adjusted for the one-off benefits of prior year adjustments to the tax charge.

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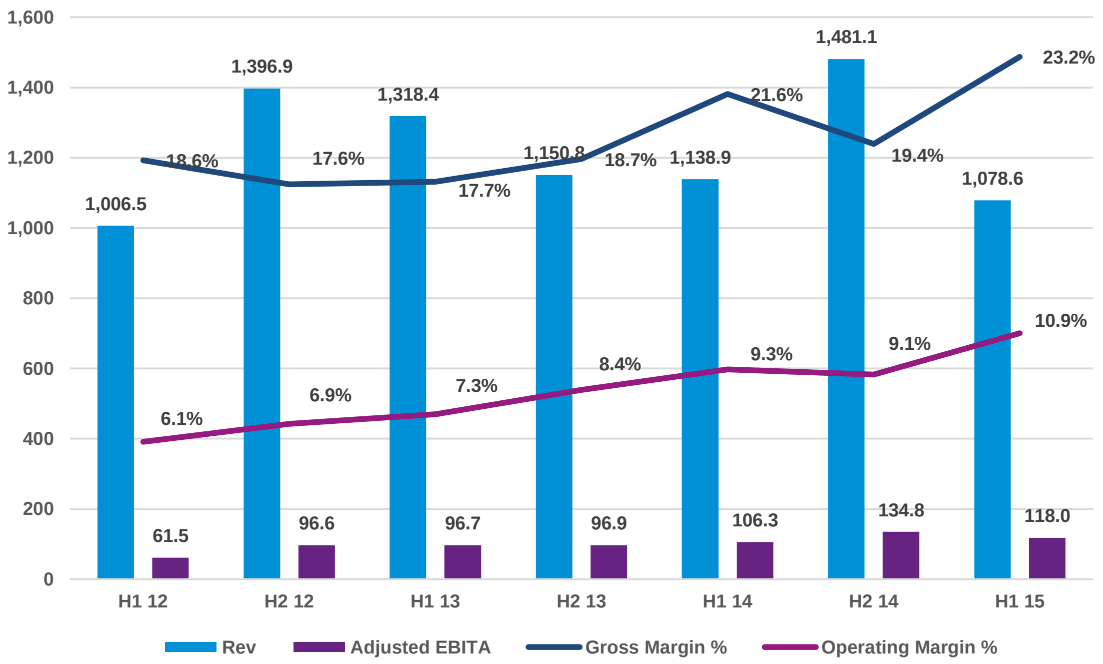
Income statement evolution over the last seven halves



Summary

- Pace business model now has the flexibility and resilience to deliver strong profitability and cash generation in variable trading conditions, due to:
  - Improved product mix (Networks, Software & Services, Gateways and STB & Media Servers)
  - Improved supply chain efficiency
  - Continued improvements in operating efficiency

4.8ppt improvement in Operating Margin since H1 2012

[1] Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangibles.
[2] Operating margin is adjusted EBITA as a percentage of revenue.

Balance sheet (H1 2015)

Balance sheet $m (Group)	*31 Dec 2014*	*30 Jun 2015*
Property, Plant & Equipment	63.2	57.8
Goodwill	471.1	464.8
Intangibles	208.2	184.2
Development expenditure	85.0	87.8
Inventories	168.0	237.6
Trade and other receivables	909.1	582.8
Trade and other payables	(934.6)	(689.0)
Net working capital	142.5	131.4
Current and deferred tax	(77.7)	(61.0)
Provisions	(132.1)	(118.9)
Net (debt) / cash	(93.1)	(2.3)
Net assets	667.1	743.8

Property, Plant & Equipment, Goodwill and Intangibles

- Decrease reflects depreciation in excess of capital expenditure in the period

Development expenditure

- Small increase reflects full period run-rate of IAS 38 adoption in the Networks SBU

Net Working Capital

- Increased inventories reflects build up to meet the expected increased volume in H2 2015
- Debtor days increased by 2 days to 68 days reflecting customer mix and slow payments by a number of customers
- Increase in payables days to 99 as terms with EMS partners aligned to match our inventory build profile
- Reduction in magnitude of receivables and payables reflects timing of activity prior to period ends

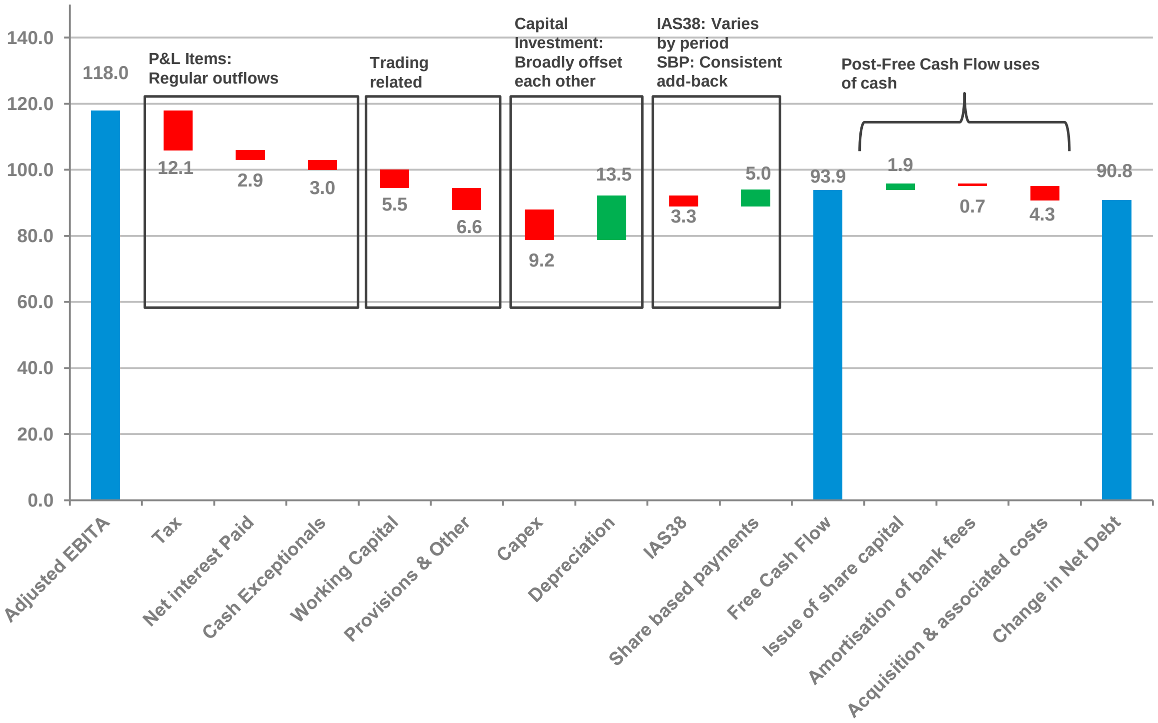
Provisions

- Reduction in provisions primarily due to settlement of Aurora Networks acquisition balances and settlement of 2014 employee bonus

Net debt

- Period-end net debt of $2.3m; reduction of $276.9m from pro-forma position on acquisition of Aurora Networks in Jan 2014

Cash flow (H1 2015)

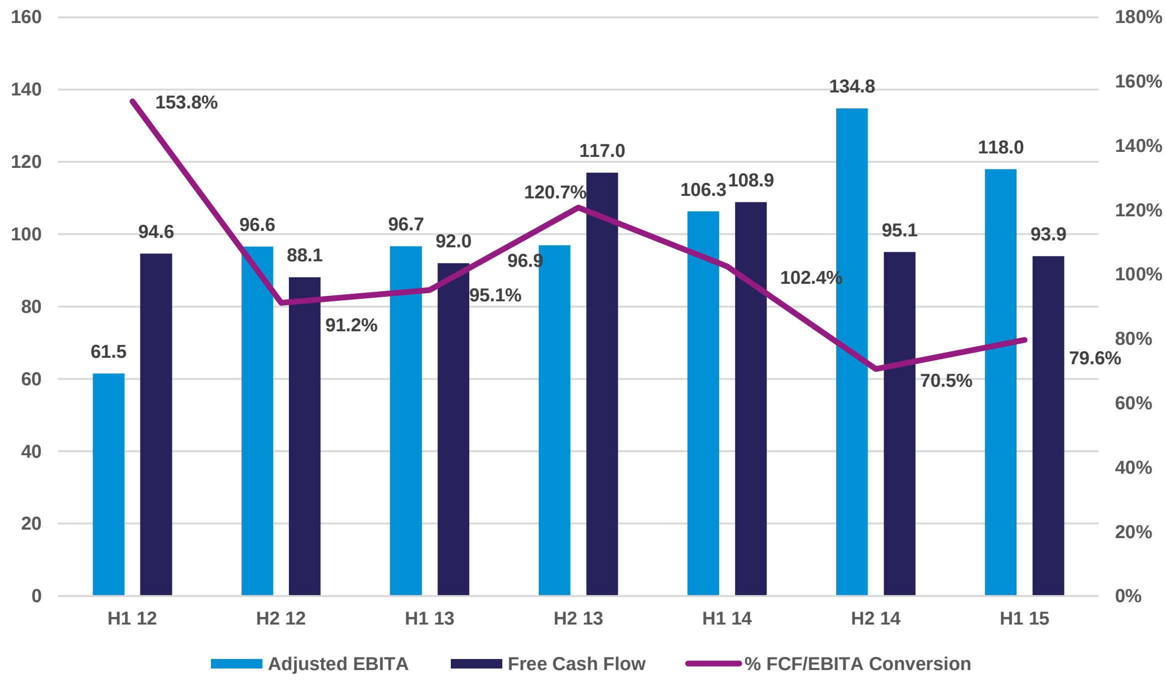


Free cash flow[1]

- 79.6% free cash flow to adjusted EBITA[2] generation

Notes: Cash movement in working capital and provisions excludes re-translation of items denominated in foreign currencies.
[1] Free cash flow is calculated as cash flow before proceeds from issue of shares, dividends, acquisition cash flows and debt repayment / draw down.
[2] Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangible assets.

Cash flow evolution over the last seven halves



Free cash flow[1]

- Strong cash flow model in place
  - FY2012 and 2013 supported by working capital realignment
  - FY2014 supported by Networks acquisition working capital contribution
- Transitioned to a more normalised ongoing FCF/Adjusted EBITA[2] conversion in H2 2014 onwards (70-80%)

≈ $690m of free cash flow generated over 7 halves

[1] Free cash flow is calculated as cash flow before proceeds from issue of shares, dividends, acquisition cash flows and debt repayment / draw down.
[2] Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangible assets.

Business update

Strategic plan update

1

Continue to transform core economics

- Continued focus on operating efficiency - underlying operating costs reduced by 11.6% ($17.9m) whilst continuing to invest in growth opportunities
- 79.6% adjusted EBITA to FCF conversion due to strong cash conversion from net income
- Net debt was reduced by 97.5% to $2.3m and Pace expects to be in a net cash position in H2 2015

2

Maintain PayTV hardware leadership

Set-top boxes

Media Servers

Gateways

3

Widening out

Elements Software

Deployed to over 10m devices (26% y-o-y growth)

ECO Service Mngt & Care

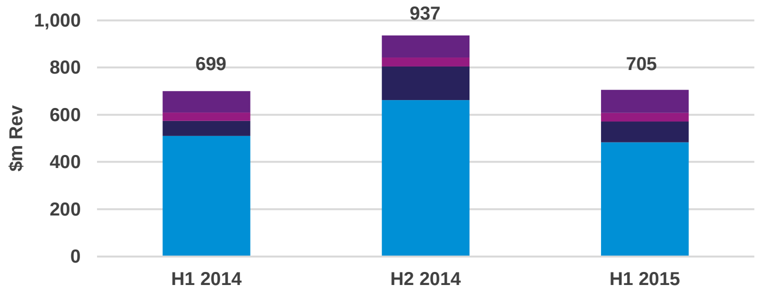
Nearly 36m devices managed (7% y-o-y growth) and 4m calls handled p.a.

Networks

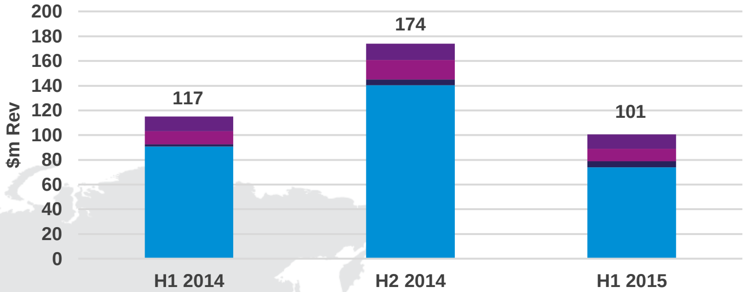
Over 250k optical nodes deployed, more than 100m homes passed

[1] Adjusted administrative expenses excluding IAS 38 accounting.

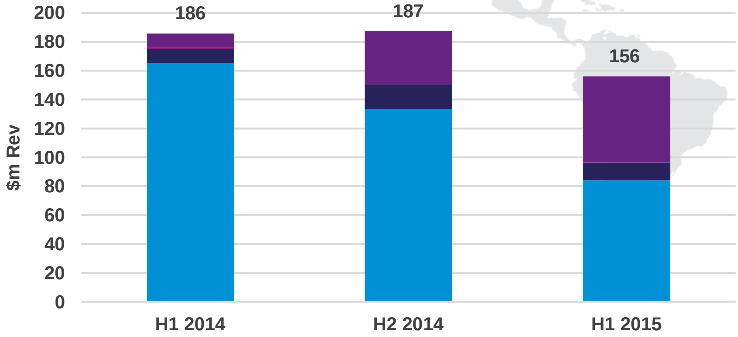
Regional performance



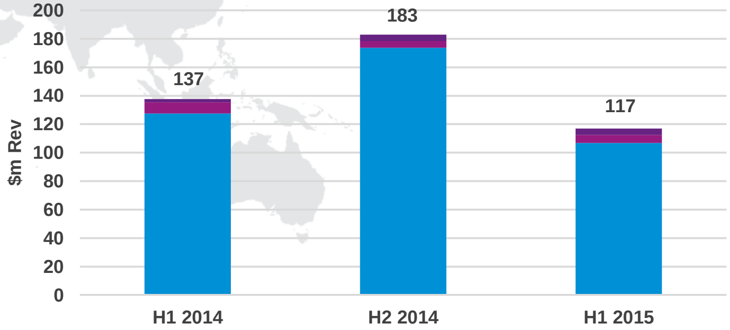
North America



Europe



Latin America



Rest of World[1]

STB & Media Server | Gateways | Software & Services | Networks

[1] Rest of the World is Asia Pacific , Middle East & Africa.

ARRIS combination update

- On 22 April 2015 the Board of Pace reached an agreement with ARRIS Group ("ARRIS") regarding the terms of a recommended cash and shares combination of Pace with ARRIS
- The transaction is progressing in-line with expectations and is expected to complete in Q4 2015[1]:
  - The merger control process is underway in all relevant jurisdictions (Brazil, Colombia, Portugal and the United States), with approval received from the German and South African authorities, and in the United States a second request is being responded to
  - The initial filing of the Form S-4 Registration Statement has been made with the United States Securities and Exchange Commission by ARRIS and along with the Scheme Circular is expected to be posted to shareholders in the next few months
  - Limited integration planning is underway to enable an effective transition to the combined entity

[1] Subject to the satisfaction, or where relevant, waiver, of all relevant conditions.

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Outlook

Outlook for 2015[1]

- As previously stated, revenue momentum is expected to increase as the year progresses driven by new product launches and additional demand for existing products. As such, we anticipate strong revenue growth in H2 2015
- The outlook for the year is as follows:
    - Revenue for 2015 is now expected to be in the range of $2.65bn to $2.72bn (2014: $2.62bn)
    - Adjusted EBITA[2] for 2015 is still expected to be c. $255m (2014: $241.1m)
    - Free cash flow[3] for 2015 is still expected to be in the range of $185m to $195m (2014: $204.0m)

[1] The Directors of Pace plc confirm that this forecast has been properly compiled on the basis of the principal assumptions stated in the announcement of the interim results for the 6 months ended 30/06/15 published on 28/07/15 and the basis of accounting is consistent with the Group accounting policies.
[2] Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangible assets.
[3] Free cash flow is calculated as cash flow before proceeds from issue of shares, dividends, acquisition cash flows and debt repayment / draw down.

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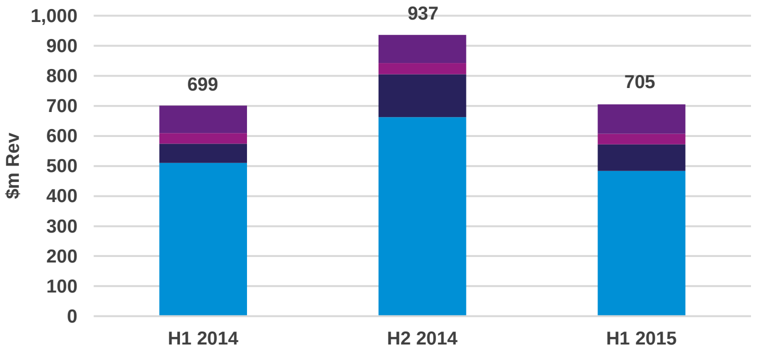
Appendix

Regional performance – North America and Latin America

North America

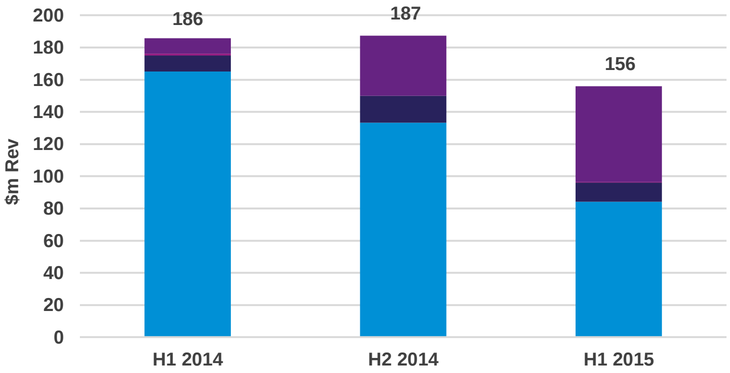
- Increase in revenue as growth in Gateways offset small reduction in STBs & Media Servers
- Strong revenue growth expected in H2 2015 vs H1 2015



STB & Media Server mix (by Vol)	H1 2014	H1 2015
Media Server	20%	34%
Client	10%	9%
HDPVR	13%	8%
HD	46%	44%
DTA	11%	5%

Latin America

- Decrease in revenue due to challenging economic conditions and the strength of the US Dollar against local currencies leading to reduced demand



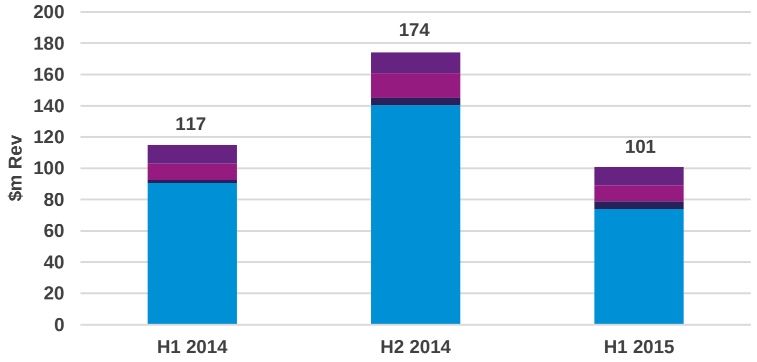
STB & Media Server mix (by Vol)	H1 2014	H1 2015
Media Server	1%	0%
HDPVR	10%	12%
HD	45%	55%
SD including SDPVR	44%	33%

STB & Media Server   Gateways   Software & Services   Networks

Regional performance – Europe and RoW

Europe

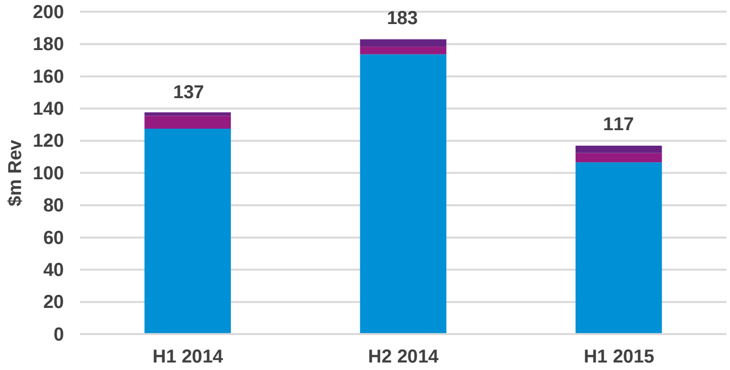
- Decrease mainly due to challenging economic conditions in certain countries and the effects of operator consolidation leading to reduced demand
- Modest growth expected in H2 2015 vs H1 2015



STB & Media Server mix (by Vol)	H1 2014	H1 2015
Media Server	5%	12%
HDPVR	12%	27%
HD	83%	61%

RoW

- Decrease reflects reduced demand from a number of major customers following a strong H2 2014
- Strong growth expected in H2 2015 v H1 2015



STB & Media Server mix (by Vol)	H1 2014	H1 2015
Media Server	10%	5%
HDPVR	48%	80%
HD	22%	6%
SD including SDPVR	20%	9%

STB & Media Server Gateways Software & Services Networks

[1] Rest of the World is Asia Pacific , Middle East & Africa.