Fourth Quarter & Full Year 2011

ARRIS Earnings Conference Call

February 8, 2012

Safe Harbor

Statements in this presentation or made on this call, including those related to first quarter 2012 revenues and net income, gross margins, operating expenses, income taxes, outlook for full year 2012, 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; rights to intellectual property and the current trend toward increasing patent litigation, market trends and the adoption of industry standards; possible acquisitions and dispositions; 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, 2011. 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.

Fourth Quarter 2011 Highlights
&
Business Outlook

Bob Stanzione
CEO & Chairman

Q4 2011 Results & Highlights

- Revenue $281.1M
- Gross Margin 37.9%
- Non-GAAP EPS $0.21
- 69% Domestic, 31% International
- Strong cash flow
- Stock repurchase program continued
- BigBand acquisition completed

Q4 2011 Results

- **Broadband Communications Systems (BCS)**
  - Revenues up 4.1% Q/Q
  - 38.3% Gross Margin on increased CMTS mix and improved CPE margin
  - Mix shift toward CMTS
  - Record C4™ CMTS shipments of 99,968 downstream ports
  - Launched 24U CMTS line card
  - Shipped ~ 1.2 million CPE units in quarter (vs.~1.4 in Q3)
    - ~46% of CPE units DOCSIS 3.0
  - Continued progress on Moxi® Gateway product
    - In various stages of trials with six new customers and anticipate commercial launch of two operators in 1Q12
  - E6000™ in lab and field trials with major operator
  - BigBand integration well underway
    - Scored first revenue as combined company

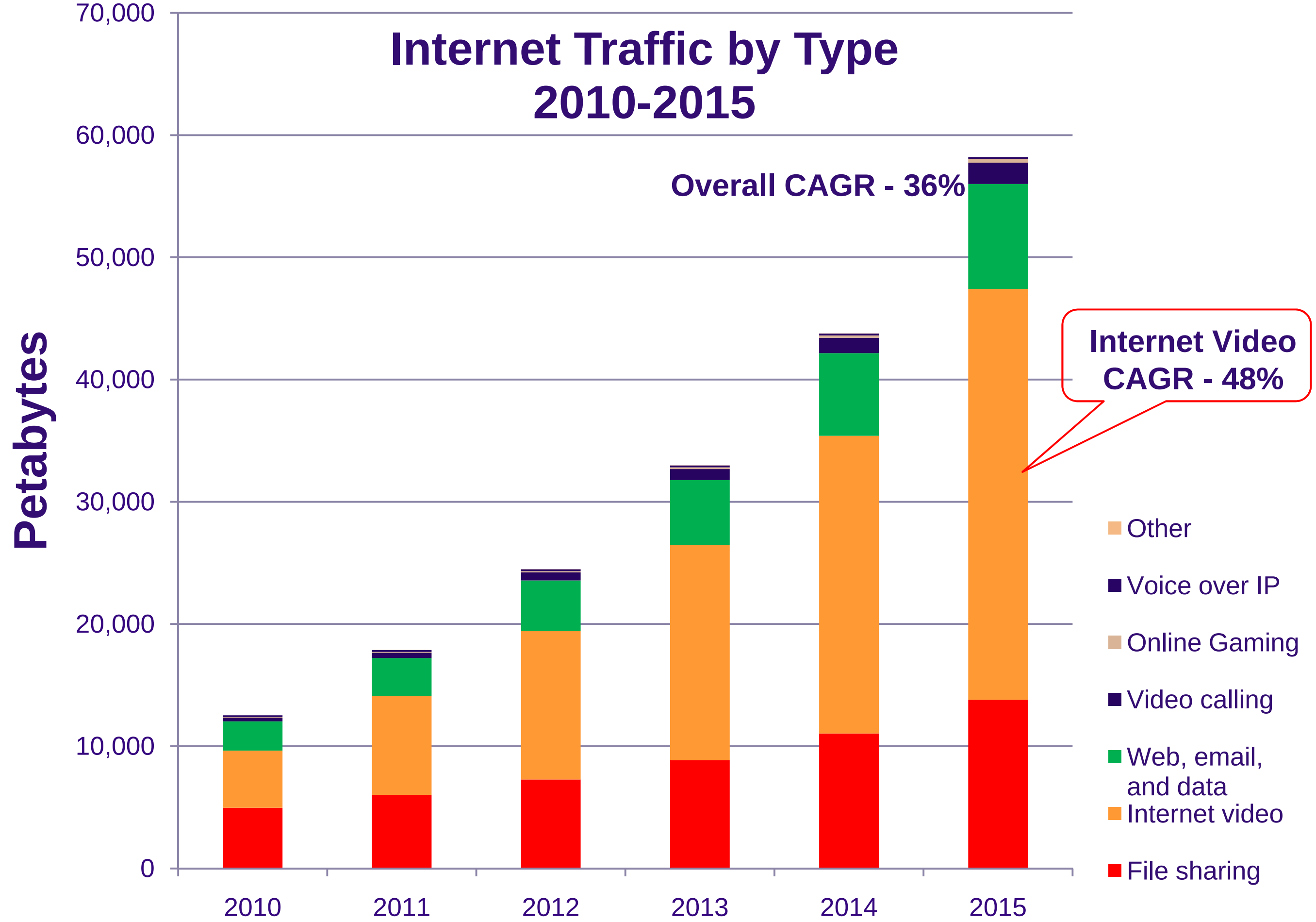
Q4 2011 Results

- **Access, Transport and Supplies (ATS)**
  - Q4 revenues up ~19% year over year
  - 2011 revenue up 9% versus 2010
  - Strong Professional Services growth
  - Steady gross margin improvement

- **Media and Communications Systems (MCS)**
  - Overall good quarter
    - Additional Assurance license purchases from Tier 1 CALA customers
    - Advertising Tier 1 North American MSO market share gain
  - Impairment of goodwill and intangibles reflects moderated outlook and refocus of investment to higher potential products

Looking Forward…

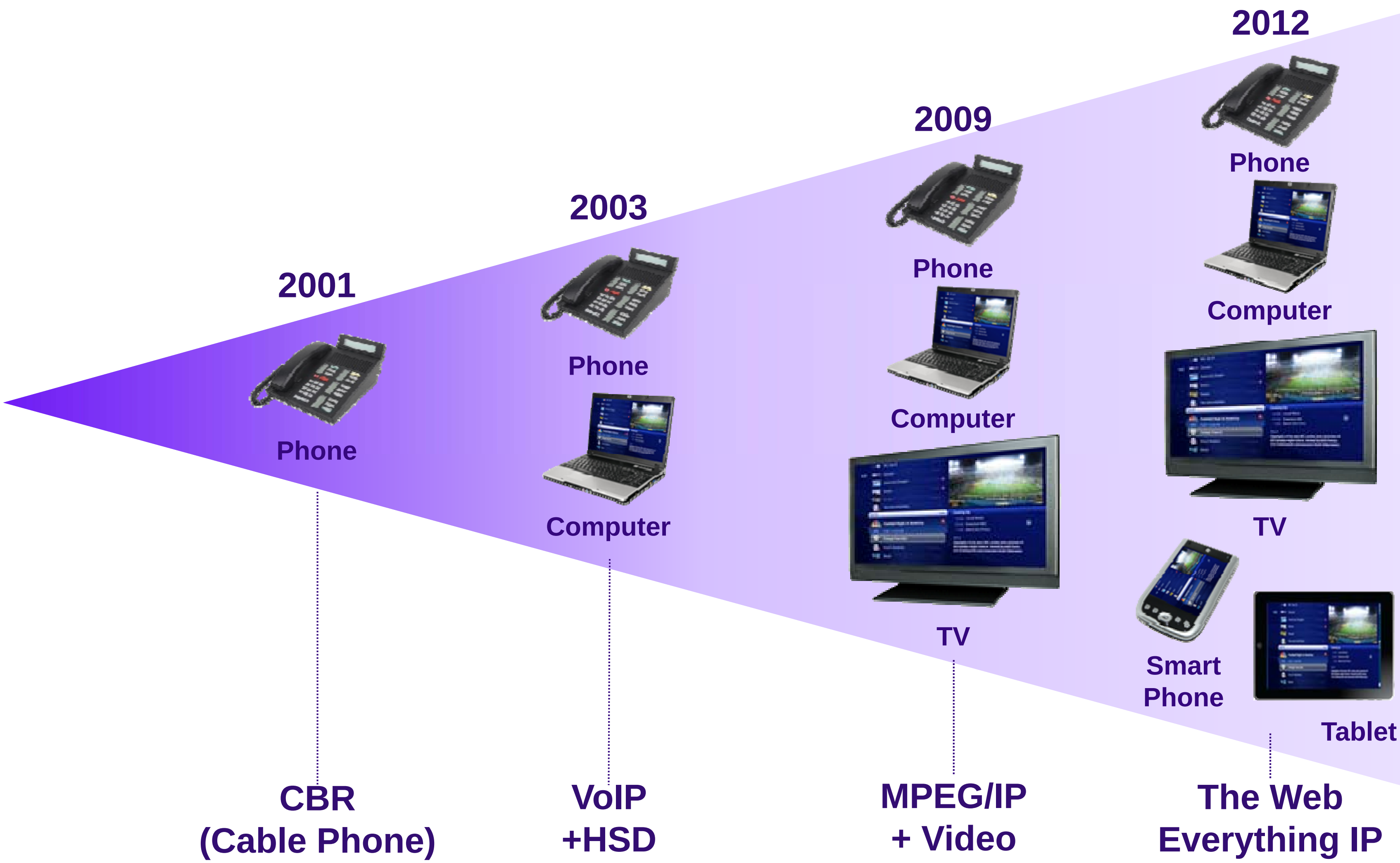
Internet Video Traffic is Growing Faster than Internet in General



Source: Cisco Visual Networking Index:, Forecast and Methodology, 2010–2015

Which is Why Our Vision Has Expanded…

"Everything IP, Everywhere" – in the Home and on the Go!
…..Our Path to Growth



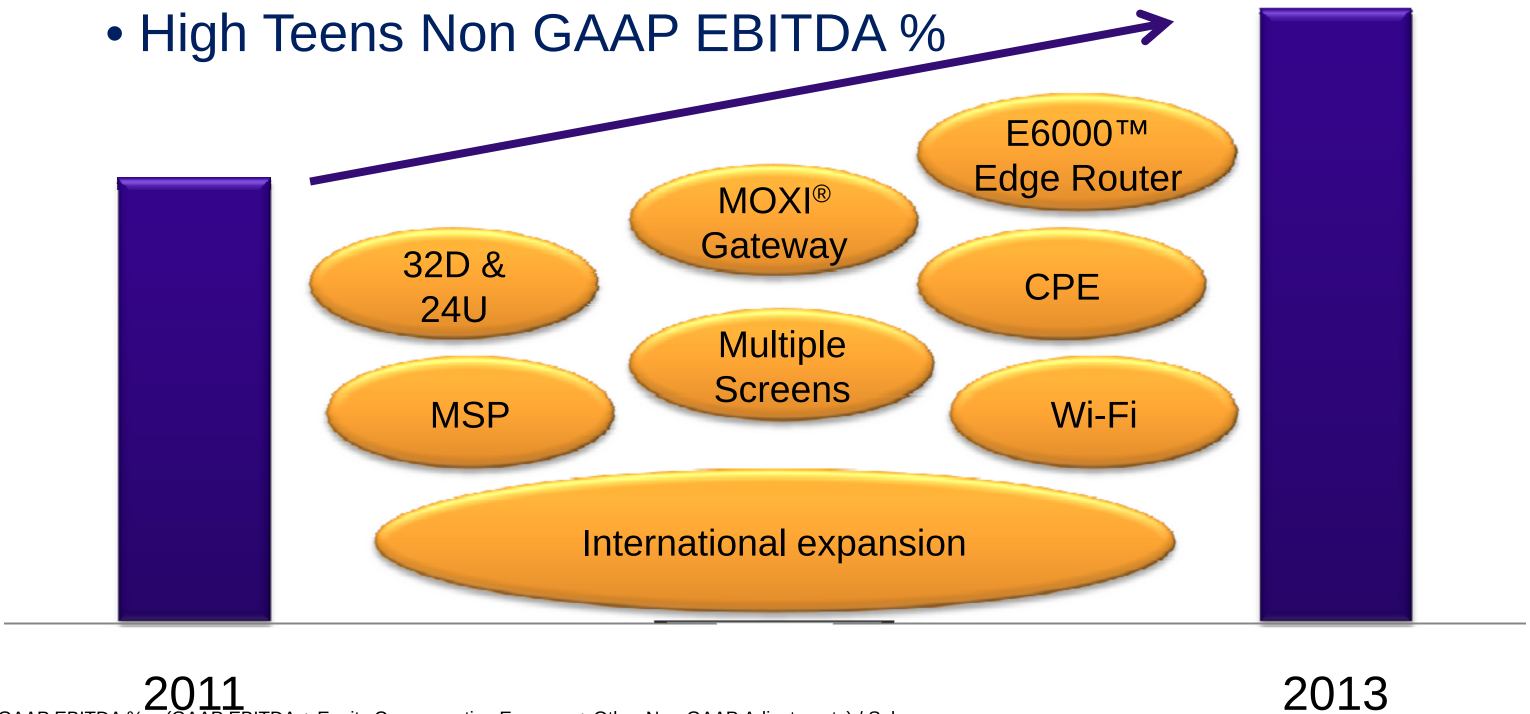
Q1 Guidance and 2012 Business Outlook…

- Q1 Guidance
  - Center of guidance represents 10% Y/Y growth
  - Seasonally slow quarter
  - Expect mix may shift to CPE and CMTS Hardware
  - First full quarter with BigBand
- Tax rate increase; R&D Tax Credit Expiration
- Execution on Moxi® gateway and E6000
- Optimistic about year as a whole

Excellent Opportunities for Growth…

Goals:

- 10%+ Revenue CAGR
- High Teens Non GAAP EBITDA %



Non GAAP EBITDA % = (GAAP EBITDA + Equity Compensation Expense + Other Non-GAAP Adjustments) / Sales

Growth Will Drive Operating Leverage and EPS Expansion

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Fourth Quarter & Full Year 2011 Financial Highlights

David Potts
Chief Financial Officer

Financial Highlights
Q4 and Full Year 2011
(Preliminary and Unaudited)

	Q4 2010	Q4 2011	H/(L)	Full Year 2010	Full Year 2011	H/(L)
Sales - $M [(1)] [(2)]	266.2	281.1 [(2)]	14.9	1087.5	1088.7 [(2)]	1.2
Gross Margin - $M	96.3	106.5	10.2	424.1	410.5	(13.6)
Gross Margin - %	36.2%	37.9%	1.7 pts	39.0%	37.7%	(1.3) pts
EPS - GAAP	0.09	(0.47)	(0.56)	0.50	(0.11)	(0.61)
Adjusted EPS - Non-GAAP [(1)]	0.19	0.21	0.02	0.85	0.82	(0.03)
EBITDA - % of Sales GAAP [(1)]	12.4%	9.7%	(2.7) pts	15.6%	12.1%	(3.5) pts
Adjusted EBITDA - % of Sales Non GAAP [(1)]	14.6%	14.5%	(0.1) pts	17.6%	15.0%	(2.6) pts
Cash, Short-term & Long-term Marketable Securities - $M	620.1	561.1	(59.0)	620.1	561.1	(59.0)
Cash Provided by Operating Activities - $M	22.6	60.9	38.3	118.5	113.2	(5.3)
Shares Repurchases - $M	30.0	34.4	4.4	69.3	109.1	39.8
Debt Retirement (face value) - $M	5.0	0.0	(5.0)	24.0	5.0	(19.0)
Weighted average common shares - diluted - M [(3)]	125.8	117.3	(8.5)	128.3	120.2	(8.1)
Backlog - $M	140.4	148.5	8.1	140.4	148.5	8.1
Book-to-Bill	1.08	0.98	(0.10)	1.00	1.01	0.01

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

(2) Excludes $4.3M of Non-GAAP BBND Sales

(3) Basic shares used for 2011 as losses were reported for those periods and the inclusion of dilutive shares would be antidilutive

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Estimated Q4 2011 BigBand Impact

(Unaudited)

$M	Nov 21, 2011 - Dec 31, 2011 Estimated GAAP Results	Adjustments [4]		Nov 21, 2011 - Dec 31, 2011 Estimated Non-GAAP Adjusted Results
Sales	4.7	4.3	(1)	9.0
Gross Profit	1.7	3.1	(1)	4.8
OPEX - Recurring	6.1	0.0		6.1
OPEX - Deal Cost Related	2.7	2.7	(2)	0.0
Restructuring	2.9	2.9	(3)	0.0
Amortization of Intangibles	0.9	0.9		0.0
Operating Income (loss)	(10.9)	9.6		(1.3)

(1) Revenue and gross margin impact of "fair valuing" BigBand deferred revenue that BigBand would have recorded but ARRIS cannot as a result of purchase accounting

(2) Includes professional fees incurred by ARRIS

(3) Severence, real estate, and other costs associated with the acquisition

(4) See reconciliation of GAAP to Non-GAAP measures

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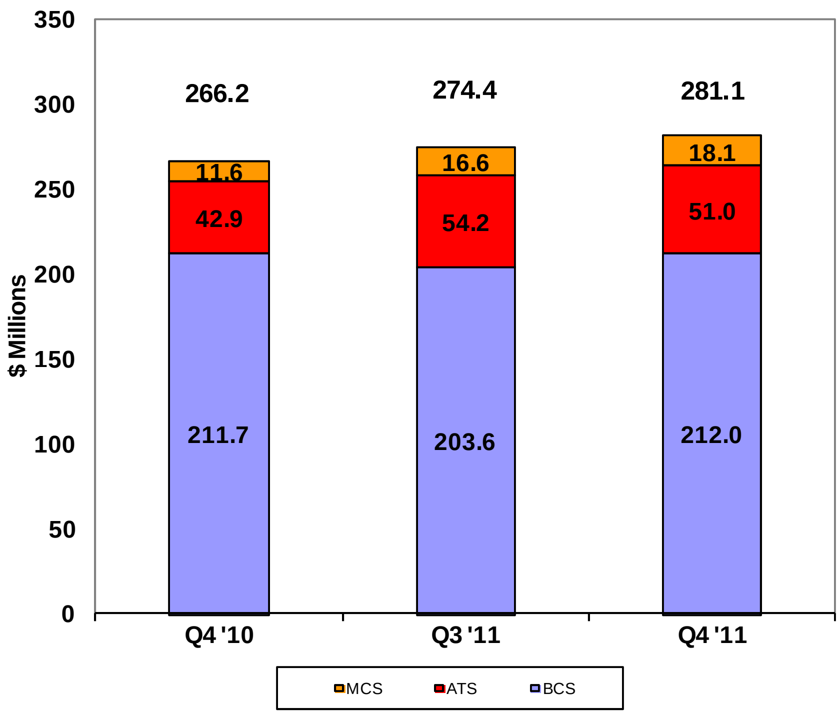
Sales
Q4 2011
(Preliminary & Unaudited)

Sales by Segment



Domestic / International Sales

		Q4 '10	Q3 '11	Q4 '11
Domestic	- $M	182.5	181.7	195.2
	- %	68.6%	66.2%	69.4%
International	- $M	83.7	92.7	85.9
	- %	31.4%	33.8%	30.6%

Significant Customers ($M)

	Q4 '10	Q3 '11	Q4 '11
Time Warner Cable and Affiliates	45.4	33.9	57.8
Comcast and Affiliates	83.2	80.2	66.5

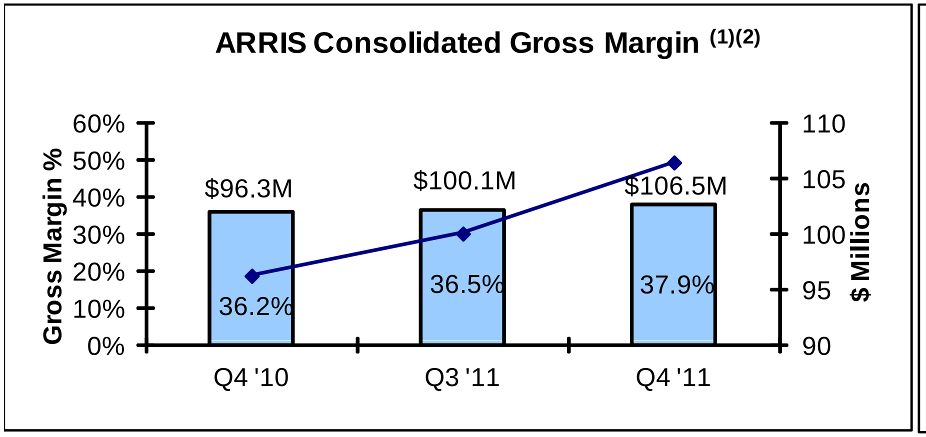
NonGAAP BigBand Sales & Gross Margin Excluded (1)(2)

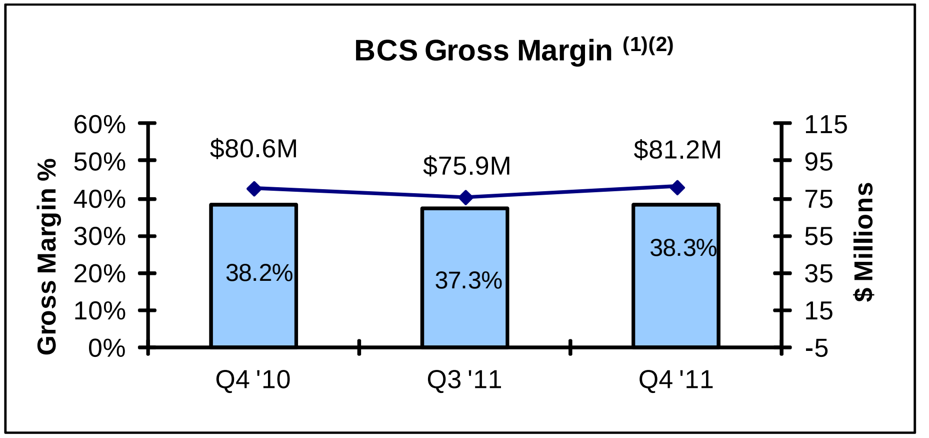
		Q4 '11
Sales	- $M	4.3
Gross Margin	- $M	3.1

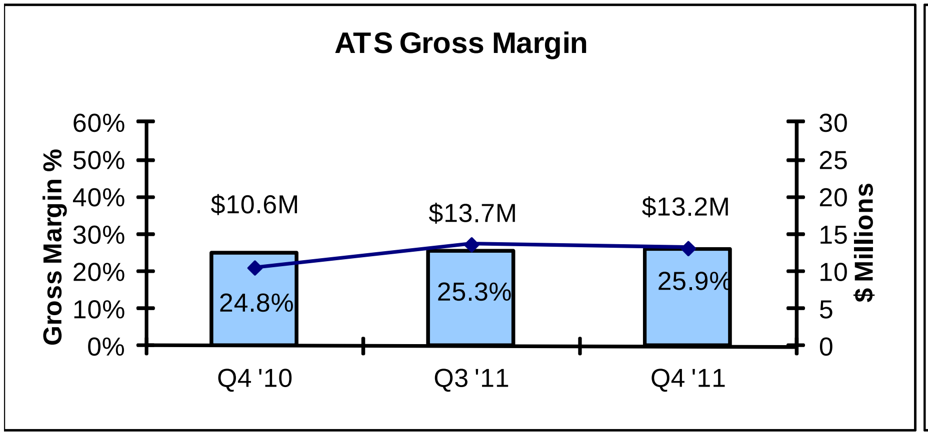
(1) Revenue and gross margin impact of "fair valuing" BigBand deferred revenue that BigBand would have recorded but ARRIS cannot as a result of purchase accounting

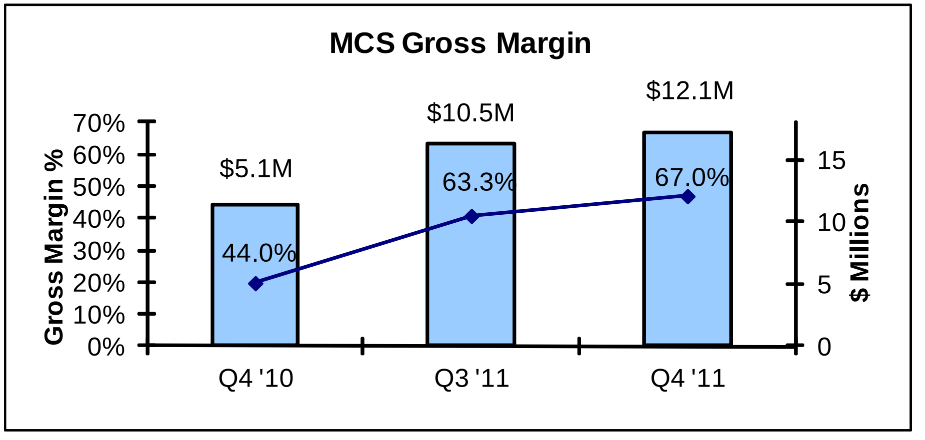
(2) See reconciliation of GAAP to Non-GAAP measures

Gross Margin
Q4 2011
(Preliminary & Unaudited)









(1) Excludes gross margin impact of "fair valuing" BigBand deferred revenue that BigBand would have recorded but ARRIS cannot as a result of purchase accounting. See Sales – Q4 2011 chart.
(2) See reconciliation of GAAP to Non-GAAP measures

Operating Expenses
Q4 and Full Year
(Preliminary & Unaudited)

		Q4 2010	Q3 2011	Q4 2011	
R&D	$M	35.4	36.1	37.8	
	% of Sales	13.3%	13.2%	13.4%	
SG&A	$M	34.2	35.7	43.5	
	% of Sales	12.8%	13.0%	15.5%	
Operating Expenses [1]	$M	69.6	71.8	81.3	
	% of Sales	26.1%	26.2%	28.9%	
Restructuring	$M	-	1.0	3.4	
	% of Sales	0.0%	0.4%	1.2%	
Goodwill / Intangibles	$M	-	-	82.6	
Impairment	% of Sales	0.0%	0.0%	29.4%	
Amortization of	$M	8.9	8.9	6.5	
Intangibles	% of Sales	3.3%	3.2%	2.3%	
Total	$M	78.5	81.7	173.8	
	% of Sales	29.5%	29.8%	61.8%	pts

(1) In Q4 2011, $2.7M of Acquisition Expenses were included in OPEX

		Full Year 2010	Full Year 2011	H(L)	
R&D	$M	140.5	146.5	6.0	
	% of Sales	12.9%	13.5%	0.6	pts
SG&A	$M	137.7	152.0	14.3	
	% of Sales	12.7%	14.0%	1.3	pts
Operating Expenses [2]	$M	278.2	298.5	20.3	
	% of Sales	25.6%	27.4%	1.8	pts
Restructuring	$M	-	4.4	4.4	
	% of Sales	0.0%	0.4%	0.4	pts
Goodwill / Intangibles	$M	-	82.6	82.6	
Impairment	% of Sales	0.0%	7.6%	7.6	pts
Amortization of	$M	36.0	33.3	(2.7)	
Intangibles	% of Sales	3.3%	3.1%	(0.2)	pts
Total	$M	314.2	418.8	104.6	
	% of Sales	28.9%	38.5%	9.6	pts

(2) In 2011, $3.2M of Acquisition Expenses were included in OPEX

Balance Sheet & Cash Flow Highlights Q4 2011

(Preliminary & Unaudited)

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
Cash & Short-term Investments - $M	620.1	619.6	591.5	575.0	518.8
Long-term Marketable Securities - $M	0.0	0.0	0.0	15.6	42.3
Total - $M	620.1	619.6	591.5	590.6	561.1
Cash provided by (used in) Operating Activities - $M	22.6	(3.6)	31.4	24.5	60.9
Cash used for BigBand acquisitions	0.0	0.0	0.0	0.0	162.4
Cash / Marketable Securities acquired	0.0	0.0	0.0	0.0	109.3
	0.0	0.0	0.0	0.0	53.1
Cash used to retire 2013 Convertible Debt - $M	5.0	0.0	0.0	5.0	0.0
Cash used for Share Repurchases - $M	30.0	0.0	57.6	17.1	34.4
Accounts Receivable, net - $M	125.9	150.0	152.4	165.8	152.4
DSOs	45	47	52	53	52
Inventory, net - $M	101.8	105.8	113.0	116.8	115.9
Turns	7.1	6.6	5.8	6.1	6.0
2013 Convertible Debt at Face Value- $M	237.1	237.1	237.1	232.1	232.1
2013 Convertible Debt at Book Value- $M	202.6	205.4	208.3	206.8	209.8

Q1 2012 Guidance

- Revenue $285M - $305M
- Adjusted (Non-GAAP) EPS $0.13 - $0.17[1]
- GAAP EPS $0.01 - $0.05
- ~34% tax rate assumed
- 119.0M diluted shares assumed

(1) See reconciliation of GAAP to Adjusted Non-GAAP EPS Guidance reconciliation

GAAP to Adjusted Non-GAAP EPS Guidance Reconciliation

	Q1 2012 EPS Guidance
Estimated GAAP EPS	$0.01 - $0.05
Reconciling Items:	
Restructuring (after tax)	$0.03
Amortization of Intangibles (after tax)	$0.04
Stock Compensation Expense (after tax)	$0.03
Non-Cash Interest - Convertible Debt (after tax)	$0.02
Subtotal	$0.12
Estimated Adjusted (Non-GAAP) EPS	$0.13 -$ 0.17

See the Notes to GAAP / Adjusted Non-GAAP Financial Measures slide

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GAAP EPS / Adjusted EPS Reconciliation Q4 2011

(Preliminary & Unaudited)

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

(in thousands, except per share data)	Q4 2011	YTD 2011
	Amount	Amount
Sales	$ 281,076	$ 1,088,685
Highlighted items:		
Purchase accounting impacts of deferred revenue	4,332	4,332
Sales excluding highlighted items	$ 285,408	$ 1,093,017

	Q4 2011		YTD 2011		Q4 2010		YTD 2010	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
Net income (loss)	$ (54,717)	$ (0.47)	$ (12,750)	$ (0.11)	$ 11,321	$ 0.09	$ 64,128	$ 0.50
Highlighted items:								
Impacting gross margin:								
Purchase accounting impacts of deferred revenue	3,126	0.03	3,126	0.03	-	-	-	-
Stock compensation expense	521	-	2,040	0.02	492	-	1,897	0.01
Impacting operating expenses:								
Acquisition costs	2,730	0.02	3,205	0.03		-		-
Restructuring	3,391	0.03	4,360	0.04	(8)	-	65	-
Amortization of intangible assets	6,520	0.05	33,352	0.27	8,944	0.07	35,957	0.28
Goodwill and intangibles impairment	82,561	0.69	82,561	0.67	-	-	-	-
Stock compensation expense	4,586	0.04	20,014	0.16	5,277	0.04	19,930	0.16
Impacting other (income) / expense:								
Non-cash interest expense	2,941	0.02	11,545	0.09	2,777	0.02	11,325	0.09
Impairment of investment	3,000	0.03	3,000	0.02	-	-	-	-
Loss on retirement of debt	-	-	19	-	5	-	(373)	-
Impacting income tax expense:								
Adjustments of income tax valuation allowances and other	2,344	0.02	(3,573)	(0.03)	1,058	0.01	889	0.01
Tax impact related to goodwill and intangibles impairment	(23,242)	(0.19)	(23,242)	(0.19)	-	-	-	-
Tax related to highlighted items above, except goodwill and intangibles impairment	(8,448)	(0.07)	(23,652)	(0.19)	(6,503)	(0.05)	(24,311)	(0.19)
Total highlighted items	80,030	0.67	112,755	0.92	12,042	0.10	45,379	0.35
Net income excluding highlighted items	$ 25,313	$ 0.21	$ 100,005	$ 0.82	$ 23,363	$ 0.19	$ 109,507	$ 0.85
Weighted average common shares - basic		117,316		120,157				
Weighted average common shares - diluted		119,609		122,555		125,758		128,271

See the Notes to GAAP / Adjusted Non-GAAP Financial Measures slide

Notes to GAAP / Adjusted Non-GAAP Financial Measures
(Preliminary & Unaudited)

The Company reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP" or referred to herein as "reported"). However, management believes that certain non-GAAP financial measures provide management and other users with additional meaningful financial information that should be considered when assessing our ongoing performance. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the factors management uses in planning for and forecasting future periods. Non-GAAP financial measures should be viewed in addition to, and not as an alternative to, the Company's reported results prepared in accordance with GAAP. Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects:

<u>Purchase Accounting Impacts Related to Deferred Revenue:</u> In connection with our acquisition of BigBand, business combination rules require us to account for the fair values of arrangements for which acceptance has not been obtained, and post contract support in our purchase accounting. The non-GAAP adjustment to our sales and cost of sales is intended to include the full amounts of such revenues. We believe the adjustment to these revenues is useful as a measure of the ongoing performance of our business. We have historically experienced high renewal rates related to our support agreements and our objective is to increase the renewal rates on acquired post contract support agreements; however, we cannot be certain that our customers will renew our contracts.

<u>Stock-Based Compensation Expense:</u> We have excluded the effect of stock-based compensation expenses in calculating our non-GAAP operating expenses and net income (loss) measures. Although stock-based compensation is a key incentive offered to our employees, we continue to evaluate our business performance excluding stock-based compensation expenses. We record non-cash compensation expense related to grants of options and restricted stock. Depending upon the size, timing and the terms of the grants, the non-cash compensation expense may vary significantly but will recur in future periods.

<u>Acquisition Costs:</u> We have excluded the effect of acquisition related and other expenses and the effect of restructuring expenses in calculating our non-GAAP operating expenses and net income (loss) measures. We incurred significant expenses in connection with our recent acquisition of BigBand, which we generally would not have otherwise incurred in the periods presented as part of our continuing operations. Acquisition related expenses consist of transaction costs, costs for transitional employees, other acquired employee related costs, and integration related outside services. We believe it is useful to understand the effects of these items on our total operating expenses.

<u>Restructuring Costs:</u> We have excluded the effect of restructuring charges in calculating our non-GAAP operating expenses and net income (loss) measures. Restructuring expenses consist of employee severance, abandoned facilities, and other exit costs. We believe it is useful to understand the effects of these items on our total operating expenses.

<u>Amortization of Intangible Assets:</u> We have excluded the effect of amortization of intangible assets in calculating our non-GAAP operating expenses and net income (loss) measures. Amortization of intangible assets is non-cash, and is inconsistent in amount and frequency and is significantly affected by the timing and size of our acquisitions. Investors should note that the use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods.

<u>Impairment of Goodwill and Intangibles:</u> We have excluded the effect of the estimated impairment of goodwill and intangible assets in calculating our non-GAAP operating expenses and net income (loss) measures. Although an impairment does not directly impact the Company's current cash position, such expense represents the declining value of the technology and other intangibles assets that were acquired. We exclude these impairments when significant and they are not reflective of ongoing business and operating results.

<u>Non-Cash Interest on Convertible Debt:</u> We have excluded the effect of non-cash interest in calculating our non-GAAP operating expenses and net income (loss) measures. We record the accretion of the debt discount related to the equity component non-cash interest expense. We believe it is useful to understand the component of interest expense that will not be paid out in cash.

<u>Impairment of Investment:</u> We have excluded the effect of an other-than-temporary impairment of a cost method investment in calculating our non-GAAP financial measures. We believe it is useful to understand the effect of this non-cash item in our other expense (income).

<u>Loss (Gain) on Retirement of Debt:</u> We have excluded the effect of the loss (gain) on retirement of debt in calculating our non-GAAP financial measures. We believe it is useful for investors to understand the effect of this non-cash item in our other expense (income).

<u>Income Tax Expense (Benefit)</u>: We have excluded the tax effect of the non-GAAP items mentioned above. Additionally, we have excluded the effects of certain tax adjustments related to state valuation allowances, research and development tax credits and provision to return differences.

GAAP EBITDA / Adjusted EBITDA Reconciliation

(Preliminary & Unaudited)

(in thousands)

	Q4 2011	Year 2011	Q4 2010	Year 2010
Earnings (loss) before tax	(71,972)	(22,142)	14,340	94,630
Depreciation	6,589	24,139	5,972	22,865
Amortization of Intangibles	6,520	33,352	8,944	35,956
Goodwill & Intangible Impairment	82,561	82,561	-	-
Interest Expense	4,258	16,940	4,237	17,965
Interest Income	(715)	(3,154)	(528)	(1,997)
GAAP EBITDA	27,241	131,696	32,965	169,419
GAAP EBITDA - % of Sales	9.7%	12.1%	12.4%	15.6%
Non GAAP adjustments				
Stock Compensation Expense	5,108	22,055	5,769	21,827
Acquisition costs, restructuring and other	6,121	7,565	(8)	65
Impairment on investments	3,000	3,000	-	-
Loss (gain) on debt retirement	-	19	5	(373)
Total adjustments	14,229	32,639	5,766	21,519
Non GAAP EBITDA	41,470	164,335	38,731	190,938
Non GAAP EBITDA - % of Non GAAP Sales	14.5%	15.0%	14.6%	17.6%