



Fourth Quarter & Full Year 2010

ARRIS Earnings Conference Call

February 9, 2011

Safe Harbor

Statements in this presentation or made on this call, including those related to first quarter 2011 revenues and net income, gross margins, operating expenses, income taxes, outlook for full year 2011, 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; 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, 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.



Fourth Quarter 2010 Highlights & Business Outlook

**Bob Stanzione
CEO & Chairman**

Q4 2010 Results

■ Solid Q4

- Revenue \$266.2M and Non-GAAP EPS \$0.19 as expected
- Modest end of year spending compared with Q4'09
- December (and January) bookings trend encouraging
- Sales to Comcast and Time Warner increased
- International sales ~31% - Domestic sales ~69%
- Accelerated stock repurchases
- Good performance in BCS
 - ◆ Strong DOCSIS downstream demand
 - ◆ Increased QAM shipments
 - ◆ CPE continued healthy demand
- ATS – Professional Services growth (CTBH, Telecom...)
- MCS – Delayed project acceptances and a YTD accounting adjustment

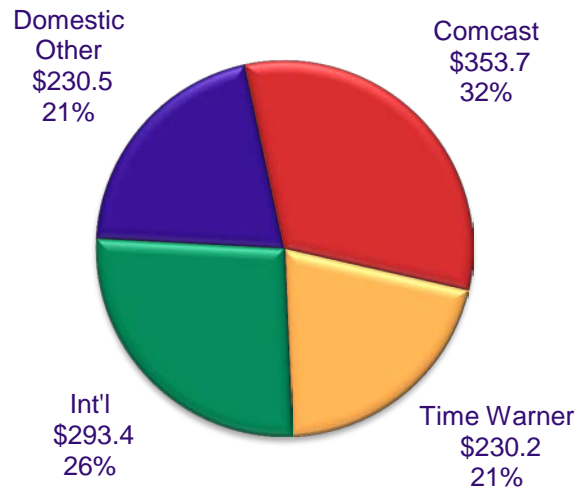
Full Year 2010 Highlights

- Revenue ~\$1.09B
- Non-GAAP EPS \$0.85
- Comcast 2009 massive DOCSIS 3.0 project and Q4'09 pull-ins cause difficult comparison
- Solid earnings
- Improved the capital structure
 - Stock and debt repurchases
- Extended our international presence
- Increased R&D investment
- Pipeline of exciting new products

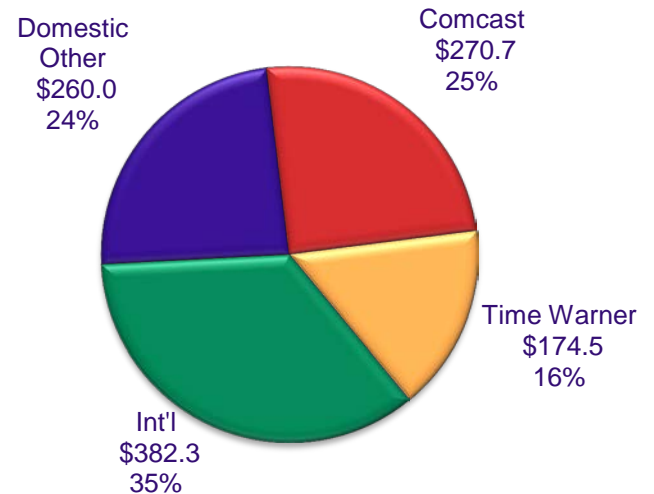
Full Year 2010 Highlights

- A year of significant change in customer mix

Year 2009 Sales of \$1,107.8M



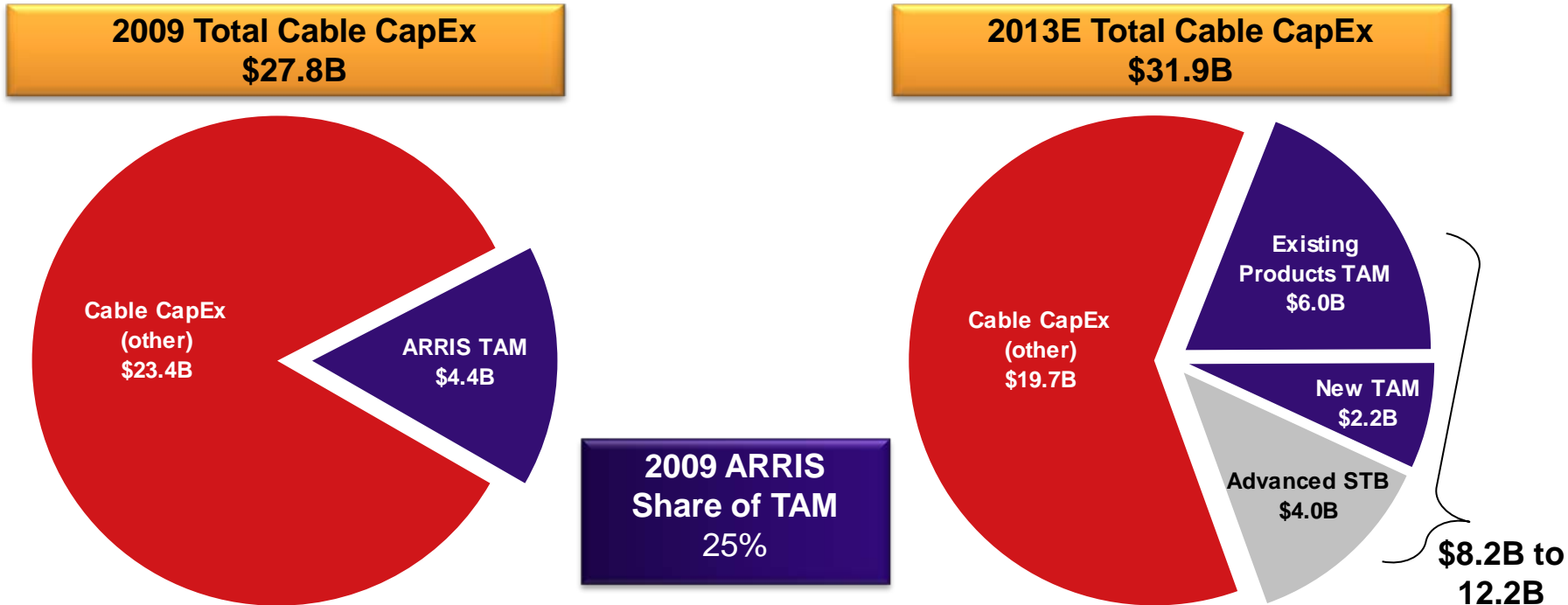
Year 2010 Sales of \$1,087.5M*



- Comcast and Time Warner revenues down due to aggressive initial rollout of DOCSIS 3.0 in 2009 and pull-ins in Q4 2009
- Other US revenues up 13%
- International revenues up 30%

*Unaudited

IP Video Creates New TAM* Expansion Over & Above Existing TAM Growth....



Source: Infonetics 1Q10; F&S Jan 2010; IDC 2009, In-Stat'09 and ARRIS Estimates

Existing Products 2009-2013 TAM CAGR of 8.1%
Expanded 2009-2013 TAM CAGR of 16.8%

*TAM = Total Addressable Market

Pipeline of New Products for 2011 and Beyond

- Professional Services
 - ♦ Telecom network design
 - ♦ Cell Tower Backhaul (CTBH)
- Second Generation DOCSIS 3.0 C4 line cards - 32D and 24U
 - ♦ Doubles C4 density
 - ♦ More than a dozen 32D lab trials now...
- Wide variety of CPE devices
 - ♦ Cost reductions
 - ♦ Wireless business terminals
- Home Video Gateway
 - ♦ Multiple trials, initial bookings
 - ♦ Commercial launch 2nd quarter
- Fixed Mobile Convergence – first commercial orders
- On-demand and real time encoding, storage and streaming to multiple screens
- New outage management software tool
- Ethernet Passive Optical Network (EPON)
- Next generation full spectrum optics
- E6000™ Converged Edge Router development on track

Business Outlook for 2011

- **Solid Q1 with demand up across the portfolio**
 - Comcast and Time Warner rebound continuing
 - Total addressable market expanding
 - Technology disruptions creating new opportunities

- **External Trends**
 - Tremendous growth of video downloads
 - ◆ Netflix
 - ◆ YouTube
 - ◆ Amazon
 - Over The Top (OTT) - a threat or an opportunity for customers, but in either case, an opportunity for ARRIS

Fourth Quarter and Full Year 2010 Financial Highlights

**David Potts
Chief Financial Officer**

Financial Highlights

Q4 and Full Year 2010

(Preliminary and Unaudited)

	Q4 2010	Q4 2009	H/(L)	Full Year 2010	Full Year 2009	H/(L)
Sales - \$M	266.2	300.0	(33.8)	1,087.5	1,107.8	(20.3)
Gross Margin - \$M	96.3	134.5	(38.2)	424.1	462.8	(38.7)
Gross Margin - %	36.2%	44.8%	(8.6) pts	39.0%	41.8%	(2.8) pts
SG&A / R&D - \$M	69.6	72.7	(3.1)	278.2	273.0	5.2
Amortization of Intangibles / Restructuring - \$M	8.9	12.5	(3.6)	36.0	41.1	(5.1)
Diluted EPS - GAAP	\$ 0.09	\$ 0.26	\$(0.17)	\$ 0.50	\$ 0.71	\$(0.21)
Adjusted Diluted EPS - Non-GAAP ⁽¹⁾	\$ 0.19	\$ 0.32	\$(0.13)	\$ 0.85	\$ 1.01	\$(0.16)
Cash and Short-term Marketable Securities - \$M	620.1	625.6	(5.5)	620.1	625.6	(5.5)
Cash Provided by Operating Activities - \$M	22.6	69.8	(47.2)	118.5	241.0	(122.5)
Share Repurchases - \$M	30.0	0.0	30.0	69.3	0.0	69.3
Debt Retirement (face value) - \$M	5.0	0.0	5.0	24.0	10.6	13.4
Weighted average common shares - diluted	125.8	129.5	(3.7)	128.3	128.1	0.2
Backlog - \$M	140.4	144.4	(4.0)	140.4	144.4	(4.0)
Book-to-Bill	1.08	0.92	0.16	1.00	1.03	(0.03)

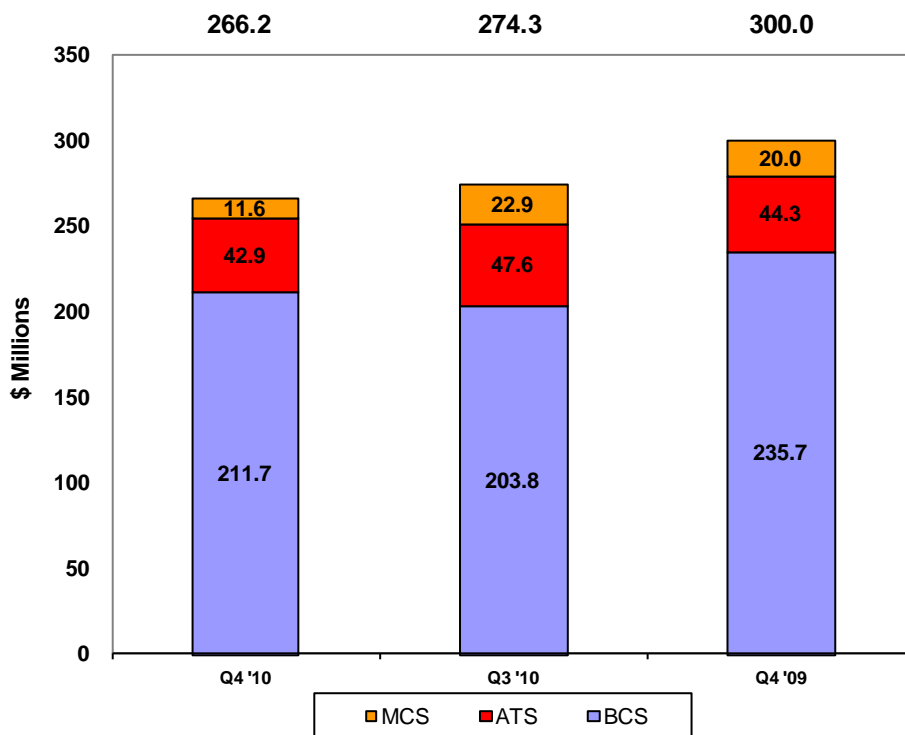
(1) See reconciliation of GAAP to Non-GAAP measures.

Sales

Q4 2010

(Preliminary & Unaudited)

Sales by Segment



Domestic / International Sales

		Q4 '10	Q3 '10	Q4 '09
Domestic	- \$M	182.5	177.1	226.8
	- %	68.6%	64.6%	75.6%
International	- \$M	83.7	97.2	73.2
	- %	31.4%	35.4%	24.4%

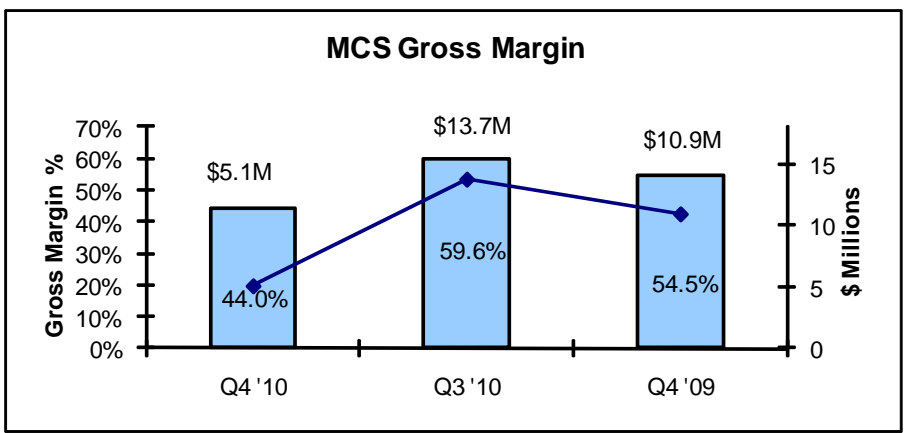
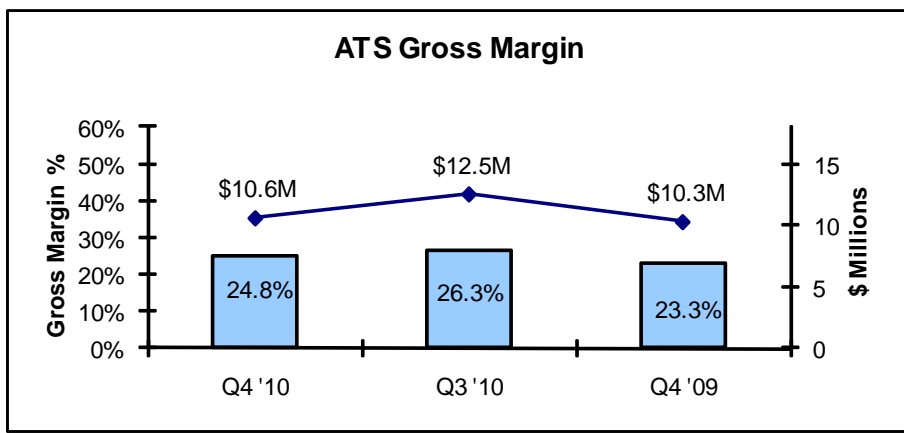
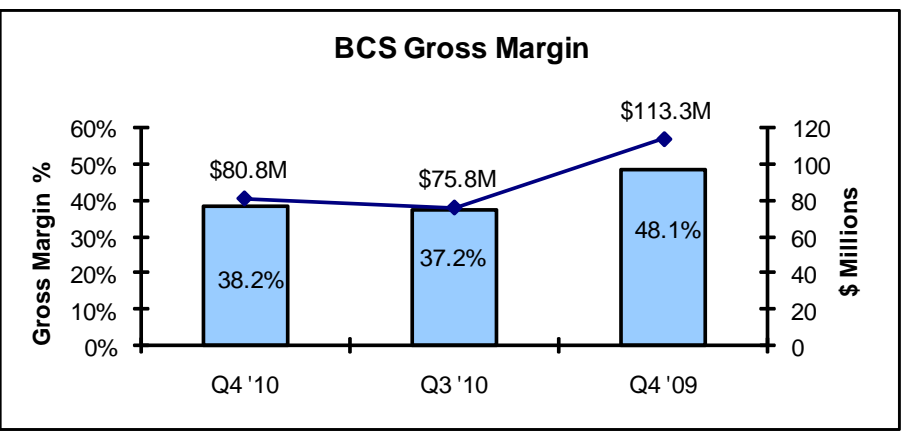
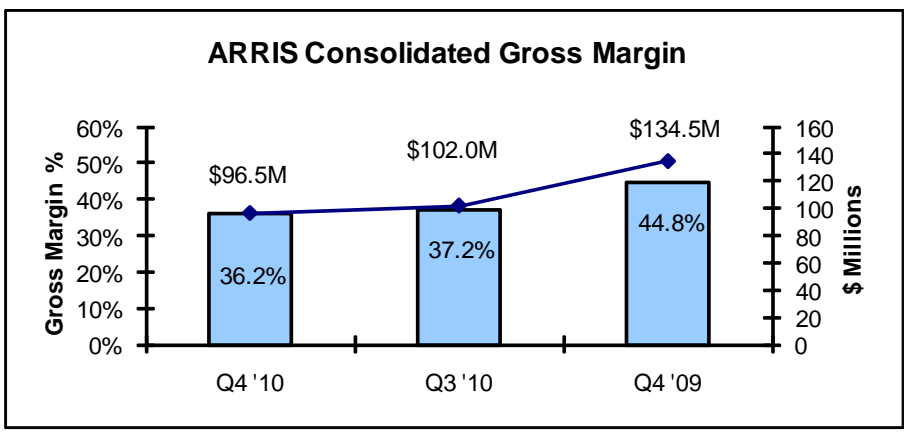
10% Customers

		Q4 '10	Q3 '10	Q4 '09
Time Warner Cable and Affiliates	- \$M	45.4	35.1	82.3
	- %	17.0%	12.8%	27.4%
Comcast and Affiliates	- \$M	83.5	74.6	89.8
	- %	31.4%	27.2%	29.9%

Gross Margin

Q4 2010

(Preliminary & Unaudited)



Operating Expenses

Q4 and Full Year 2010

(Preliminary & Unaudited)

		Q4 2010	Q4 2009	H(L)
R&D	\$M	35.4	35.1	0.3
	% of Sales	13.3%	11.7%	1.6 pts
SG&A	\$M	34.2	37.6	(3.4)
	% of Sales	12.8%	12.5%	0.3 pts
Operating Expenses	\$M	69.6	72.7	(3.1)
	% of Sales	26.1%	24.2%	1.9 pts
Restructuring	\$M	0.0	2.9	(2.9)
	% of Sales	0.0%	1.0%	(1.0) pts
Amortization of Intangibles	\$M	8.9	9.6	(0.7)
	% of Sales	3.3%	3.2%	0.1 pts
Total	\$M	78.5	85.2	(6.7)
	% of Sales	29.5%	28.4%	1.1 pts

		Full Year 2010	Full Year 2009	H(L)
R&D	\$M	140.5	124.5	16.0
	% of Sales	12.9%	11.2%	1.7 pts
SG&A	\$M	137.7	148.4	(10.7)
	% of Sales	12.7%	13.4%	(0.7) pts
Operating Expenses	\$M	278.2	272.9	5.3
	% of Sales	25.6%	24.6%	1.0 pts
Restructuring	\$M	0.0	3.7	(3.7)
	% of Sales	0.0%	0.3%	(0.3) pts
Amortization of Intangibles	\$M	36.0	37.4	(1.4)
	% of Sales	3.3%	3.4%	(0.1) pts
Total	\$M	314.2	314.0	0.2
	% of Sales	28.9%	28.3%	0.6 pts

Balance Sheet & Cash Flow Highlights

Q4 2010

(Preliminary & Unaudited)

	<u>Q4 10</u>	<u>Q3 10</u>	<u>Q2 10</u>	<u>Q1 10</u>	<u>Q4 09</u>
Cash & Short-term Investments - \$M	620.1	640.4	663.4	661.1	625.6
Cash provided by Operating Activities - \$M	22.6	12.5	35.2	48.2	69.8
Cash used to retire 2013 Convertible Debt - \$M	5.0	13.5	4.8	0.0	0.0
Cash used for Share Repurchases - \$M	30.0	15.6	20.6	3.1	0.0
Accounts Receivable, net - \$M	126.8	133.9	139.7	139.2	143.7
<i>DSOs</i>	45	46	45	48	40
Inventory, net - \$M	101.8	89.2	78.8	79.9	95.9
<i>Turns</i>	7.1	8.2	8.4	7.0	6.8
2013 Convertible Debt at Face Value- \$M	237.1	242.1	256.1	261.1	261.1
2013 Convertible Debt at Book Value- \$M	202.6	204.1	212.9	214.1	211.2

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

Q1 2011 Guidance

- Revenue \$260M - \$280M
- Adjusted (Non-GAAP) EPS \$0.14 - \$0.18⁽¹⁾
- GAAP EPS \$0.05 - \$0.09
- 125.5M diluted shares assumed

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

EPS Guidance Reconciliation

Q1 2011 EPS Guidance

Estimated GAAP EPS	\$0.05- \$0.09
Reconciling Items	
Amortization of Intangibles (after tax)	\$0.05
Stock Compensation Expense (after tax)	\$0.03
Non-Cash Interest - Convertible Debt (after tax)	\$0.01
Subtotal	\$0.09
Estimated Adjusted (Non-GAAP) EPS	\$0.14 - \$ 0.18

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 Operating Income / Adjusted Operating Income Reconciliation

(Preliminary & Unaudited)

	Q4 2010	Q4 2009	Full Year 2010	Full Year 2009
Operating Income as reported	\$ 17,745	\$ 49,305	\$ 109,905	\$ 148,747
Operating Income as a % of sales	7%	16%	10%	13%
Highlighted Items:				
Stock compensation expense	5,769	4,207	21,827	15,921
Acquisition costs, restructuring and other	(8)	2,917	65	3,977
Amortization of intangible assets	8,944	9,554	35,957	37,361
Operating Income excluding highlighted items	32,450	65,983	167,754	206,006
Operating Income excluding highlighted items as a % of sales	12%	22%	15%	19%

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

Q4 2010

(Preliminary & Unaudited)

(in thousands, except per share data)

	Q4 2010		Q4 2009		Year 2010		Year 2009	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
Net income	\$ 11,321	\$ 0.09	\$ 33,279	\$ 0.26	\$ 64,128	\$ 0.50	\$ 90,769	\$ 0.71
Highlighted items:								
<i>Impacting gross margin:</i>								
Stock compensation expense	492	-	383	0.00	1,897	0.01	1,446	0.01
<i>Impacting operating expenses:</i>								
Acquisition costs, restructuring and other	(8)	-	2,917	0.02	65	-	3,977	0.03
Amortization of intangible assets	8,944	0.07	9,554	0.07	35,957	0.28	37,361	0.29
Stock compensation expense	5,277	0.05	3,824	0.03	19,930	0.15	14,475	0.11
<i>Impacting other (income) / expense:</i>								
Non-cash interest expense	2,777	0.02	2,827	0.02	11,325	0.09	11,135	0.09
Loss (gain) on retirement of debt	5	-	-	-	(373)	-	(4,152)	(0.03)
<i>Impacting income tax expense:</i>								
Adjustments of income tax valuation allowances, research & development credits and other	1,058	0.01	(4,422)	(0.03)	889	0.01	(3,133)	(0.02)
Tax related to highlighted items above	(6,503)	(0.05)	(7,375)	(0.06)	(24,311)	(0.19)	(22,561)	(0.18)
Total highlighted items	12,042	0.10	7,708	0.06	45,379	0.35	38,548	0.30
Net income excluding highlighted items	\$ 23,363	\$ 0.19	\$ 40,987	\$ 0.32	\$ 109,507	\$ 0.85	\$ 129,317	\$ 1.01
Weighted average common shares - diluted		125,758		129,524		128,271		128,085

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 and third 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 the second, third & fourth quarters of 2010, ARRIS repurchased a portion of their convertible debt and recognized a gain of approximately \$4.2 million, \$0.1 million and \$0.3 million and loss of \$5 thousand, 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.



Questions?

