



ARRIS Group Inc.

Barclays Global Technology,
Media and Telecommunications
Conference

Bob Stanzione, Chairman/CEO
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Safe Harbor

Statements in this presentation or made in this meeting, including those related to the outlook for 2013 and beyond, the integration of Motorola Home and expected synergies, expected revenues and net income, gross margins, operating expenses, income taxes, 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 products; and because the market in which ARRIS operates is volatile and 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; ARRIS' ability to successfully integrate Motorola Home's opportunities, technology, personnel, and operations, 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 March 31, 2013. 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.

ARRIS Company Overview

Global Leader in Video Delivery
and Broadband Technology



25+

Direct presence in over 25
countries

85+

Channel presence in
over 85 countries

ARRIS

Headquartered in
Suwanee, Georgia
~7,000 employees



Customers Worldwide

>2,000

Granted and in-process patents

New ARRIS Segments

Before

NOW



ATS

HE Optics, Fiber Nodes
RF Amplifiers

MCS

Service Assurance, Analytics
Workforce Management
Video on Demand
Ad Insertion & Management

BCS

CMTS, CCAP, Edge QAMs
Encoder/Decoder/Transcoder

BCS

Modems, EMTAs, Gateways

MOTOROLA

Network Infrastructure

CMTS, Edge QAMs, HE Optics
Fiber Nodes, RF Amplifiers
Encoders/Decoders/Transcoders

Convergence Experiences

Service Assurance, Content
Management & Security ,
Ad Insertion, Video on Demand,
User Experience

Home Devices

Modems, EMTAs, Gateways,
Set-top Boxes

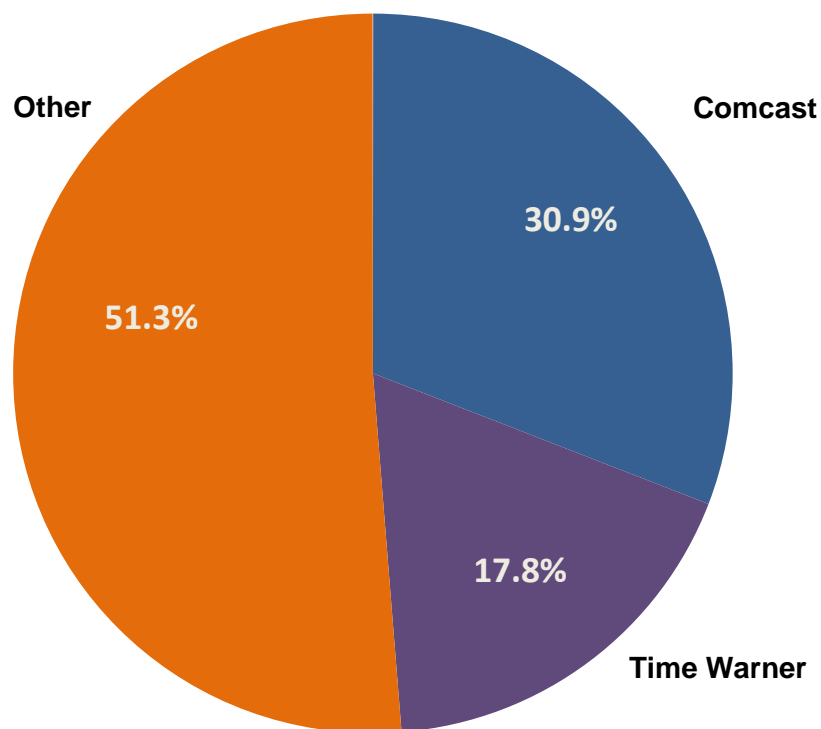
NETWORK AND CLOUD

CPE

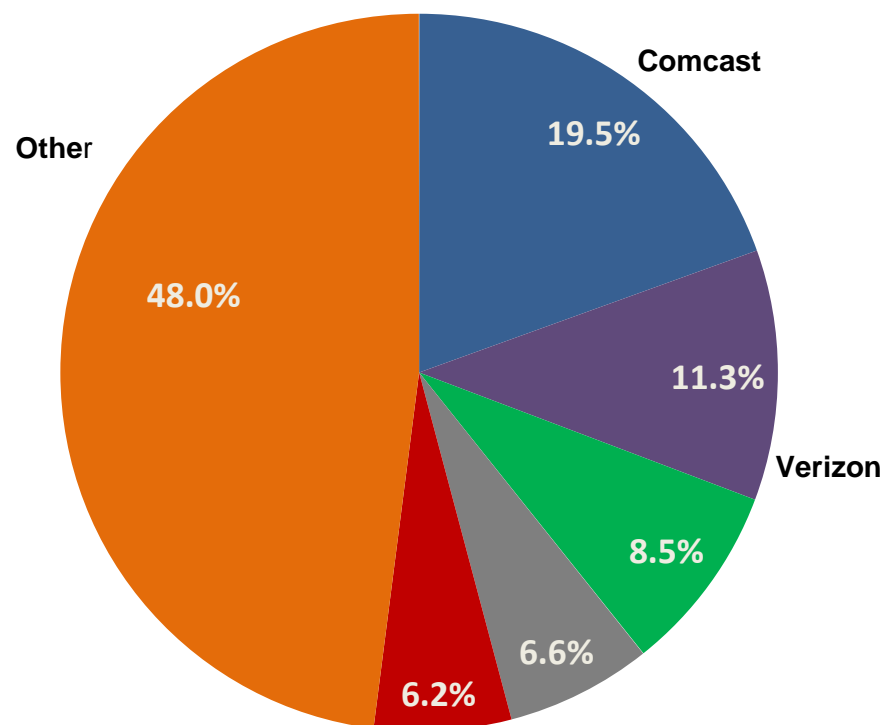


Increased Customer Diversification

ARRIS Stand alone 2012



ARRIS Pro-forma 2012



Consumer Habits are Driving Change in the Industry

Service Providers Need to Invest in the Home and Network

Consumer Behavior

Consumers are Adopting a Multiscreen Lifestyle...

% of viewers who watch TV outside the home on a mobile device **37%**



60%
Laptops



28%
Mobile Phone



12%
Tablets

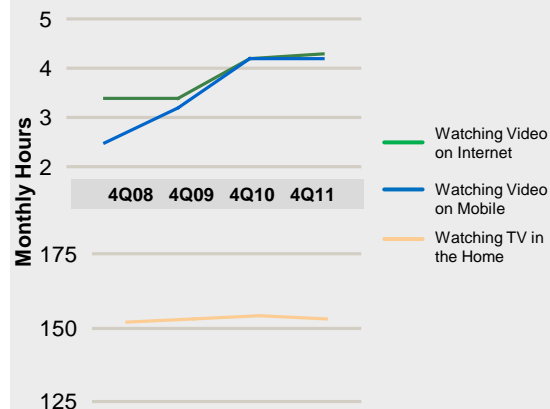


20%

Year-on-year increase in using a smartphone to watch TV

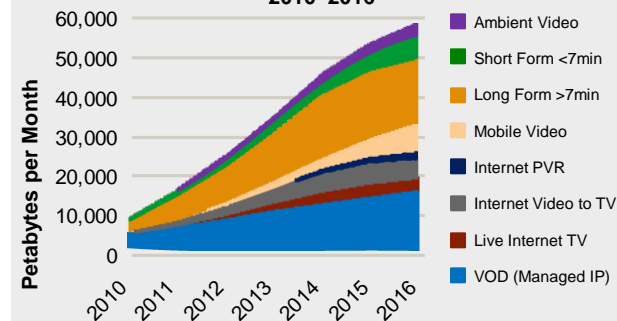
...Driving Video Consumption

Monthly Entertainment Consumption per User



...Creating Explosion of IP Video

IP Video Traffic Growth 2010-2016



Driving Service Providers to:

Deploy
TV everywhere

Monetize growing video
consumption

Evolve video delivery
infrastructure

Bandwidth Demand Creates Product Opportunities

Source: 2011 Media Engagement Barometer Infographic; Cisco VNI.

Demand for Content Anytime, Anywhere Increasing Challenges and Opportunities for Service Providers



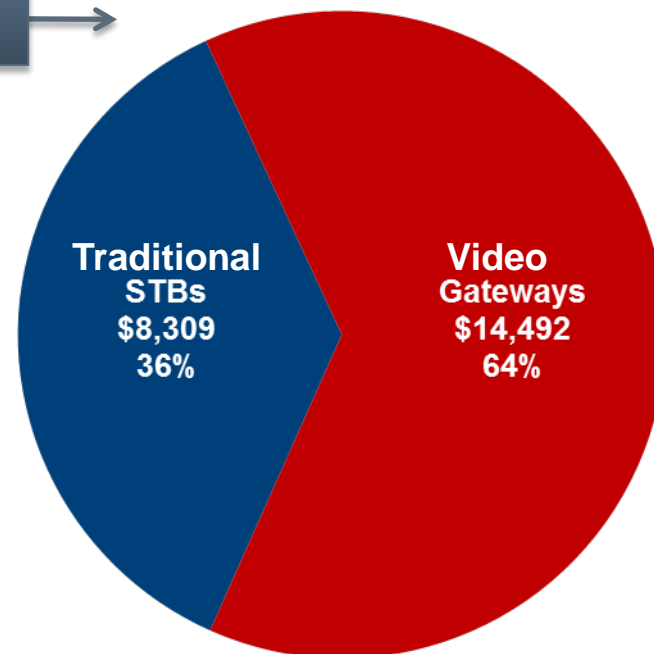
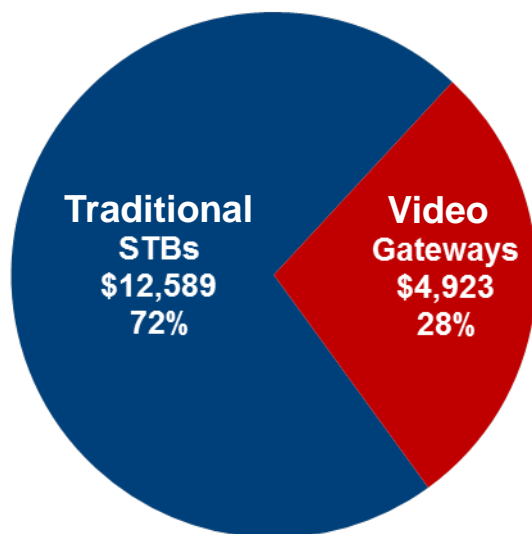
- Integrated solutions for cloud-based delivery enabling content anytime and anywhere
- Expanding software and next-gen IP platforms
- Expertise in system integration and end-to-end solutions
- New media monetization solutions
- New customer engagement models

New Technologies Enabling Advanced Home Video Distribution Drives Video CPE TAM

2013 Worldwide Video CPE TAM
\$17,512 M

2017 Worldwide Video CPE TAM
\$22,800 M

CAGR = 6%



Video CPE Includes:

Gateways - Cable Hybrid IP/QAM, Cable Video & Media Gateways, Satellite Video & Media Gateways, Hybrid IP/DVB-S, and Hybrid IP/DTT
STBs - Telco IP STBs, Digital Cable STBs, and Satellite Digital STBs

Sources: Infonetics 4Q12 and ARRIS Est.

Target Annual Model – 12 Months Post Close

(\$ in millions)

	Pro-forma Combined Post Integration Full Year Target Range ⁽¹⁾		
Revenue	\$ 4,800	<->	\$ 5,100
% Gross Margin	29%	<->	30%
Operating Expenses ⁽²⁾	\$ 930	<->	\$ 980
Interest Expense	\$ 75	<->	\$ 75
GAAP EPS	\$ 0.48	<->	\$ 0.63
Non-GAAP EPS ⁽³⁾	\$ 2.00	<->	\$ 2.15

See GAAP to Non GAAP Reconciliation

On Track to Achieving Model

- (1) Target model assumes integration and synergies complete
- (2) Operating expenses includes stock based compensation and depreciation; does not include amortization of acquired intangibles
- (3) Non-GAAP EPS excludes stock based compensation, amortization of acquired intangibles; see reconciliation of Non-GAAP measures

ARRIS Business Update

- Q1 pro-forma Non-GAAP sales $\$367\text{M} + \$738\text{M} = \$1.105\text{B}$
- Q2 pro-forma Non-GAAP sales guidance of $\$1.028\text{B}$ to $\$1.078\text{B}^*$

- First half 2013 below target run rate
 - Two years of Motorola Home's pending business transition has caused internal distractions and reluctance from the customers to enter into product commitments and new programs

- Improving second half outlook
 - Customer reaction to new ARRIS has been uniformly positive
 - Several initiatives underway and launching in the second half

*includes Motorola Home pre-close

Second Half Outlook

- An improving environment
 - Service provider capex increasing
 - Expanding market size
- Healthy product pipeline
 - Whole Home Gateway projects
 - Wireless HSD devices
 - CCAP (E6000, APEX 3000 QAM)
 - Multi Screen software and service
 - Etc...
- Synergies...
 - On track to reaching annualized cost reductions of \$100M to \$125M

The New ARRIS

- A stronger company with a broader portfolio
- Serving a broader and more diversified customer base
- Well positioned to capture significant share in a growing market
- Materially enhanced shareholder value



**Transforming how service providers
deliver entertainment and communications
without boundaries**



Backup

GAAP to Non GAAP Reconciliation - Historical

(\$M)	Estimated Year 2012	Estimated Q1 2013
	<u> </u>	<u> </u>
Sales	\$ 4,705	\$ 1,092
Highlighted Items:		
Motorola Acquisition Accounting (Google)- deferred revenue adj	8	-
ARRIS Acquisition Accounting - deferred revenue adj	3	-
ARRIS- reduction in revenue related to Comcast investment	-	13
Adjusted Sales	<u>\$ 4,716</u>	<u>\$ 1,105</u>
Direct Operating Contribution	\$ 415	\$ 85
Highlighted Items:		
ARRIS Acquisition Accounting - deferred revenue adj	3	-
Settlement charge - pension	3	-
Stock compensation	45	7
Motorola Acquisition Accounting (Google)- deferred cost adj	2	-
ARRIS- reduction in revenue related to Comcast investment	-	13
Adjusted Direct Operating Contribution	<u>\$ 468</u>	<u>\$ 105</u>

GAAP to Non GAAP Reconciliation – Q2 Guidance

(\$M)	Including Home Pre-Close Estimated Q2 2013	Excluding Home Pre-Close Estimated Q2 2013
Sales - GAAP	1,025 - 1,075	959 - 1,009
Acquisition accounting - deferred revenue adj	<u>3</u>	<u>3</u>
Adjusted Sales - Non-GAAP	<u><u>1,028 - 1,078</u></u>	<u><u>962 - 1,012</u></u>
EPS - GAAP	(0.78) - (0.71)	(0.63) - (0.56)
Highlighted Items:		
ARRIS acquisition accounting - deferred revenue adj	0.02	0.02
ARRIS acquisition accounting - deferred cost adj	(0.01)	(0.01)
ARRIS acquisition accounting - inventory fair value	0.42	0.42
Intangible amortization	0.60	0.60
Equity compensation	0.06	0.06
Restructuring, acquisition, & integration expense	0.19	0.19
Credit facility ticking fees	0.01	0.01
Fair value mark-to-market expense (Comcast)	(0.04)	(0.04)
Non-cash interest expense - convertible debt	0.02	0.02
Tax effect of above items	<u>(0.44)</u>	<u>(0.44)</u>
Total highlighted items	<u>0.84</u>	<u>0.84</u>
Adjusted EPS - Non-GAAP	<u><u>0.06 - 0.13</u></u>	<u><u>0.21 - 0.28</u></u>

Target Annual Model Post-Integration GAAP to Non-GAAP EPS Reconciliation

(\$ in millions)

	GAAP to Non-GAAP EPS Reconciliation		
GAAP Net Income	\$ 70	< - >	\$ 92
Amortization ⁽¹⁾	295		295
Stock Based Compensation	60		60
Tax Effect on Above Items	<u>(135)</u>		<u>(135)</u>
Estimated Non-GAAP Net Income	\$ 290	< - >	\$ 312
Shares Outstanding ⁽²⁾	140		140
GAAP EPS	\$ 0.48	< - >	\$ 0.63
Non GAAP EPS ⁽³⁾	\$ 2.00	< - >	\$ 2.15

(1) Purchase accounting impacts reflect current estimates. Amortization and other items may change

(2) Assumes normal course equity grants

(3) Non-GAAP EPS excludes stock based compensation, amortization of acquired intangibles

Notes to GAAP / Adjusted Non GAAP Financial Measures

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:

Acquisition Accounting Impacts Related to Deferred Revenue: In connection with our acquisition of Motorola Home, 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. Fair value reflects estimates of costs relating to fulfilling the remaining obligation plus a normal profit margin. 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.

Inventory valuation: In connection with our acquisition of Motorola Home, business combinations rules require the inventory be recorded at fair value on the opening balance sheet. This is different from historical cost. Essentially we were required to write the inventory up to end customer price less a reasonable margin as a distributor. This resulted in an increase in the value of inventory and will result in higher cost of goods sold as it is sold.

Amortization of Intangible Assets: We have excluded the effect of amortization of intangible assets in calculating our non-GAAP operating expenses and net income 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.

Stock-Based Compensation Expense: We have excluded the effect of stock-based compensation expenses in calculating our non-GAAP operating expenses and net income 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.

Restructuring, Acquisition and Integration Costs: 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 measures. We will incur significant expenses in connection with our recent acquisition of Motorola Home, which we generally would not otherwise incur 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. 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.

Credit Facility - Ticking Fees: In connection with our acquisition of Motorola Home, the cash portion of the consideration is funded through debt financing commitments. A ticking fee is a fee paid to our banks to compensate for the time lag between the commitment allocation on a loan and the actual funding. We have excluded the effect of the ticking fee 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).

Mark To Market Fair Value Adjustment Related To Comcast Investment in ARRIS: In connection with our acquisition of Motorola Home, Comcast was given an opportunity to invest in ARRIS. The accounting guidance requires we mark to market the changes in the value of the investment and flow through other expense (income). We have excluded the effect of the implied fair value in calculating our non-GAAP financial measures. We believe it is useful to understand the effects of these items on our total other expense (income).

Non-Cash Interest on Convertible Debt: We have excluded the effect of non-cash interest in calculating our non-GAAP operating expenses and net income 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.

Income Tax Expense (Benefit): 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.