

ARRIS Group, Inc.

April 30, 2008

Solid Start, Looking for 2H08 Rebound

Communication Technology
OUTPERFORM

ARRS - NASDAQ	\$6.61
PRICE TARGET	\$7.50
52-WEEK RANGE	\$17.89-\$4.96
MARKET CAPITALIZATION	\$809.0mm
SHARES OUTSTANDING	122.4mm
FLOAT	120.5mm
BOOK VALUE/SHARE	\$1.88
DEBT/TOTAL CAP. (%)	28%
DIVIDEND/YIELD	NA/NM
AVG. DAILY VOLUME	3,899,641



ARRIS is a leading developer, manufacturer and supplier of cable TV equipment. The company's products enable the transmission of video, voice and data over hybrid fiber coaxial (HFC)-based networks.

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Summary: Arris delivered solid 1Q08 results with sales coming in a bit softer than expected but bottom line outperforming as margins landed ahead of expectations benefiting from an improved product mix. Arris looks for a strong rebound in 2H08 driven by DOCSIS 3.0 deployments and sees 1Q08 as a bottom for Comcast. With C-COR integration in progress and cable MSO spending spurred by competition, we continue to look for Arris to benefit. We maintain our Outperform rating and \$7.50 price target

- **Solid 1Q08 results** - Arris reported 1Q08 sales slightly weaker than expected at \$273.5 million versus our \$280.0 million estimate. However, better than expected gross margin (32.1% vs. our 31.2%) driven by improved product mix and lower OpEx resulted in EPS of \$0.12, which compares favorably to our \$0.10 target.
- **Comcast bottoms in 1Q08** - 1Q08 sales from Comcast (CMCSA, Perform, \$20.26) fell dramatically, declining to \$34.2 million from \$96.5 million in 4Q07. Despite a big drop off from Comcast, EMTA shipments were slightly ahead of our expectations at 1.4 million versus 1.35 million. Meaningful EMTA shipments are expected to begin shortly in Latin America.
- **Others picking up the slack** - Time Warner (\$71.0 million vs. \$56.1 million in 4Q07) and Charter (\$29.0 million vs. \$13.4 million in 4Q07) were strong contributors with record sales in nearly all product lines (CMTS, on demand, OSS software...). In addition, international sales landed at \$84.8 million (31% of total sales) with Latin America, Germany, Canada and Japan key areas of strength.
- **2H08 rebound on its way** - 2Q08 guidance (\$288-303 million in sales and EPS of \$0.13-0.17) is solid and Arris looks for Comcast to rebound sharply in 2H08 with new DOCSIS 3.0 products being rolled out. Management noted that DOCSIS 3.0 visibility has improved significantly and it looks to benefit from SG&A synergies and product cost reductions and more traction with software sales (higher margin).
- **Story remains intact** - overall we continue to believe cable MSO spending on bandwidth expansion strategies will continue to grow as competition escalates with telcos and we look for Arris to be a key beneficiary. Progress continues to be made on integrating C-COR with positive customer feedback and we look for Arris to deliver solid execution in a challenging environment. We maintain our Outperform rating and \$7.50 price target.

Fiscal Year	Earnings Per Share Estimates (US\$)										
	1Q (Mar)		2Q (Jun)		3Q (Sep)		4Q (Dec)		Year		
	Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current	
2006A	--	0.21	--	0.24	--	0.27	--	0.32	--	1.04	6.4x
2007A	--	0.20	--	0.22	--	0.21	--	0.16	--	0.79	8.4x
2008E	0.10	0.12A	0.15	0.16	--	0.20	0.20	0.21	0.66	0.68	9.7x
2009E	--	0.20	--	0.22	--	0.23	--	0.23	0.89	0.87	7.6x

See pages 11 - 14 for important disclosures

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Quarterly Consolidated Statement of Income

(\$ in Thousands, Except Per Share Data)

	2007A	1Q08A Mar-08	2Q08E Jun-08	3Q08E Sep-08	4Q08E Dec-08	2008E	1Q09E Mar-09	2Q09E Jun-09	3Q09E Sep-09	4Q09E Dec-09	2009E
Broadband Communications	\$879,638	\$189,637	\$210,183	\$238,426	\$248,361	\$886,607	\$216,249	\$231,446	\$237,291	\$242,459	\$927,445
Access, Transport and Supplies	110,509	72,894	74,152	76,074	78,049	301,169	78,205	78,596	79,225	80,334	316,360
Media and Communications	2,647	10,975	11,853	12,327	12,820	47,975	13,077	13,338	13,605	13,877	53,897
Total Revenue	\$992,794	\$273,506	\$296,188	\$326,827	\$339,230	\$1,235,752	\$307,531	\$323,380	\$330,121	\$336,670	\$1,297,702
Cost of Sales	716,481	188,057	203,419	223,869	230,441	845,786	206,826	216,210	218,470	222,260	863,766
Gross Profit	\$276,313	\$85,449	\$92,769	\$102,959	\$108,789	\$389,966	\$100,705	\$107,171	\$111,650	\$114,410	\$433,936
Sales, General and Administrative	91,785	35,012	36,283	38,566	42,064	151,925	37,826	39,452	40,605	42,757	160,641
Research & Development	69,209	27,652	27,664	27,780	28,495	111,592	26,448	27,487	28,390	28,954	111,279
Operating Income (Loss)	\$115,319	\$22,785	\$28,822	\$36,613	\$38,229	\$126,449	\$36,431	\$40,231	\$42,655	\$42,699	\$162,017
Other Income (Expense)	(3,059)	1,361	460	460	460	2,741	460	460	460	460	1,840
Interest Income (Expense)	18,162	1,181	1,251	1,426	1,446	5,304	1,516	1,696	1,764	1,862	6,838
Pre-Tax Income	\$130,422	\$25,327	\$30,533	\$38,499	\$40,135	\$134,494	\$38,407	\$42,388	\$44,879	\$45,021	\$170,695
Taxes (Credit)	40,530	9,579	11,297	13,475	14,047	48,398	13,443	14,836	15,708	15,757	59,743
Net Income (Loss)	\$89,892	\$15,748	\$19,236	\$25,024	\$26,088	\$86,096	\$24,965	\$27,552	\$29,172	\$29,264	\$110,952
Pro Forma EPS	\$0.80	\$0.12	\$0.16	\$0.20	\$0.21	\$0.68	\$0.20	\$0.22	\$0.23	\$0.23	\$0.87
GAAP Expenses	\$9,048	(\$10,343)	(\$3,401)	(\$3,529)	(\$3,753)	(\$21,027)	(\$3,419)	(\$3,561)	(\$3,670)	(\$3,814)	(\$14,464)
GAAP Net Income (Loss)	\$98,940	\$5,405	\$15,835	\$21,495	\$22,335	\$65,070	\$21,546	\$23,991	\$25,502	\$25,449	\$96,488
GAAP EPS	\$0.88	\$0.04	\$0.13	\$0.17	\$0.18	\$0.51	\$0.17	\$0.19	\$0.20	\$0.20	\$0.76
Shares Outstanding (Diluted)	112,958	131,981	124,062	124,682	125,306	126,508	125,932	126,562	127,195	127,831	126,880

Source: Company data, Oppenheimer & Co. Inc.

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Quarterly Margin and Growth Analysis

	2007A	1Q08A Mar-08	2Q08E Jun-08	3Q08E Sep-08	4Q08E Dec-08	2008E	1Q09E Mar-09	2Q09E Jun-09	3Q09E Sep-09	4Q09E Dec-09	2009E
Revenue Contribution											
Broadband Communications	88.6%	69.3%	71.0%	73.0%	73.2%	71.7%	70.3%	71.6%	71.9%	72.0%	71.5%
Access, Transport and Supplies	11.1%	26.7%	25.0%	23.3%	23.0%	24.4%	25.4%	24.3%	24.0%	23.9%	24.4%
Media and Communications	0.3%	4.0%	4.0%	3.8%	3.8%	3.9%	4.3%	4.1%	4.1%	4.1%	4.2%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Margin Analysis											
Gross Margin	27.8%	31.2%	31.3%	31.5%	32.1%	31.6%	32.7%	33.1%	33.8%	34.0%	33.4%
Sales, General and Administrative	9.2%	12.8%	12.3%	11.8%	12.4%	12.3%	12.3%	12.2%	12.3%	12.7%	12.4%
Research & Development	7.0%	10.1%	9.3%	8.5%	8.4%	9.0%	8.6%	8.5%	8.6%	8.6%	8.6%
Operating Income	11.6%	8.3%	9.7%	11.2%	11.3%	10.2%	11.8%	12.4%	12.9%	12.7%	12.5%
Pre-Tax Income	13.1%	9.3%	10.3%	11.8%	11.8%	10.9%	12.5%	13.1%	13.6%	13.4%	13.2%
Tax Rate	31.1%	37.8%	37.0%	35.0%	35.0%	36.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Net Income	9.1%	5.8%	6.5%	7.7%	7.7%	7.0%	8.1%	8.5%	8.8%	8.7%	8.5%
Sequential Growth Rates											
Broadband Communications		(12.6%)	10.8%	13.4%	4.2%		(12.9%)	7.0%	2.5%	2.2%	
Access, Transport and Supplies		135.9%	1.7%	2.6%	2.6%		0.2%	0.5%	0.8%	1.4%	
Media and Communications			8.0%	4.0%	4.0%		2.0%	2.0%	2.0%	2.0%	
Total Revenue		9.3%	8.3%	10.3%	3.8%		(9.3%)	5.2%	2.1%	2.0%	
Gross Profit		29.9%	8.6%	11.0%	5.7%		(7.4%)	6.4%	4.2%	2.5%	
Operating Income		(7.9%)	26.5%	27.0%	4.4%		(4.7%)	10.4%	6.0%	0.1%	
Net Income		(18.9%)	22.1%	30.1%	4.3%		(4.3%)	10.4%	5.9%	0.3%	
Year-on-year Growth Rates											
Broadband Communications	12.0%	(4.7%)	(9.3%)	2.7%	14.5%	0.8%	14.0%	10.1%	(0.5%)	(2.4%)	4.6%
Access, Transport and Supplies	3.8%	102.4%	252.1%	237.5%	152.6%	172.5%	7.3%	6.0%	4.1%	2.9%	5.0%
Media and Communications					434.2%	1712.4%	19.1%	12.5%	10.4%	8.2%	12.3%
Total Revenue	11.4%	16.3%	17.2%	28.3%	35.6%	24.5%	12.4%	9.2%	1.0%	(0.8%)	5.0%
Gross Profit	12.1%	24.0%	27.8%	49.2%	65.4%	18.0%	17.9%	15.5%	8.4%	5.2%	2.1%
Operating Income	7.5%	(21.8%)	(8.5%)	22.3%	54.5%	9.7%	59.9%	39.6%	16.5%	11.7%	28.1%
Net Income	(21.3%)	(28.7%)	(47.3%)	(27.2%)	(11.9%)	(4.2%)	(1.4%)	(9.8%)	(24.2%)	(27.1%)	28.9%
Shares Outstanding	3.2%	18.9%	11.1%	11.2%	7.0%	12.0%	(4.6%)	2.0%	2.0%	2.0%	0.3%
Pro Forma Diluted EPS	(23.7%)	(40.0%)	(29.9%)	(5.1%)	25.4%	(14.5%)	66.1%	40.4%	14.3%	10.0%	28.5%

Source: Company data, Oppenheimer & Co. Inc.

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Quarterly Consolidated Balance Sheet

(\$ in Thousands)

	2007A	1Q08A Mar-08	2Q08E Jun-08	3Q08E Sep-08	4Q08E Dec-08	2008E	1Q09E Mar-09	2Q09E Jun-09	3Q09E Sep-09	4Q09E Dec-09	2009E
Assets											
Cash & Cash Equivalents	\$405,070	\$312,838	\$356,475	\$361,493	\$379,071	\$379,071	\$424,089	\$441,072	\$465,389	\$490,350	\$490,350
Accounts Receivables	166,953	159,881	157,359	173,637	180,226	180,226	163,385	171,806	175,387	178,867	178,867
Other Receivables	4,330	6,074	4,508	4,975	5,163	5,163	4,681	4,922	5,025	5,124	5,124
Inventories	131,792	125,105	128,213	141,476	146,844	146,844	133,123	139,983	142,901	145,736	145,736
Other Current Assets	55,636	60,940	44,868	49,509	51,388	51,388	46,586	48,987	50,008	51,000	51,000
Total Current Assets	\$763,781	\$664,838	\$691,423	\$731,089	\$762,692	\$762,692	\$771,864	\$806,770	\$838,709	\$871,077	\$871,077
Other Long-Term	10,308	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200
Goodwill & Other Intangibles	725,245	710,483	710,483	710,483	710,483	710,483	710,483	710,483	710,483	710,483	710,483
Property & Equipment, Net	59,156	60,747	62,338	63,929	65,520	65,520	67,111	68,702	70,293	71,884	71,884
Total Assets	\$1,558,490	\$1,446,268	\$1,474,444	\$1,515,701	\$1,548,895	\$1,548,895	\$1,559,658	\$1,596,155	\$1,629,685	\$1,663,644	\$1,663,644
Liabilities and Shareholders' Equity											
Accounts Payables	\$58,852	\$60,490	\$48,425	\$53,293	\$54,858	\$54,858	\$49,236	\$51,470	\$52,008	\$52,910	\$52,910
Short Term Debt	35,397	310	310	310	310	310	310	310	310	310	310
Other Current Liabilities	91,050	75,643	95,060	104,893	108,874	108,874	98,700	103,787	105,950	108,052	108,052
Total Current Liabilities	\$185,299	\$136,443	\$143,795	\$158,496	\$164,042	\$164,042	\$148,246	\$155,567	\$158,268	\$161,273	\$161,273
Other Long Term Liabilities	70,651	75,052	76,553	78,084	79,646	79,646	81,239	82,863	84,521	86,211	86,211
Long Term Debt	276,773	276,686	276,773	276,773	276,773	276,773	276,773	276,773	276,773	276,773	276,773
Total Liabilities	\$532,723	\$488,181	\$497,121	\$513,354	\$520,460	\$520,460	\$506,258	\$515,203	\$519,562	\$524,257	\$524,257
Shareholders' Equity	1,025,767	958,087	977,323	1,002,347	1,028,435	1,028,435	1,053,400	1,080,952	1,110,123	1,139,387	1,139,387
Total Liabilities and Equity	\$1,558,490	\$1,446,268	\$1,474,444	\$1,515,701	\$1,548,895	\$1,548,895	\$1,559,658	\$1,596,155	\$1,629,685	\$1,663,644	\$1,663,644

Source: Company data, Oppenheimer & Co. Inc.

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Quarterly Consolidated Ratios

(\$ in Thousands, Except Per Share Data)

	2007A	1Q08A Mar-08	2Q08E Jun-08	3Q08E Sep-08	4Q08E Dec-08	2008E	1Q09E Mar-09	2Q09E Jun-09	3Q09E Sep-09	4Q09E Dec-09	2009E
Profitability Ratios											
Annualized Return On Equity	8.8%	6.6%	7.9%	10.0%	10.1%	8.4%	9.5%	10.2%	10.5%	10.3%	9.7%
Annualized Return On Assets	5.8%	4.4%	5.2%	6.6%	6.7%	5.6%	6.4%	6.9%	7.2%	7.0%	6.7%
Annualized Return On Net Assets	6.3%	4.8%	5.7%	7.3%	7.4%	6.1%	7.0%	7.6%	7.8%	7.7%	7.3%
Efficiency Ratios											
A/R Days Sales Outstanding	63.0	54.6	49.2	49.2	49.2	54.8	49.2	49.2	49.2	49.2	51.8
A/P Days Sales Outstanding	21.6	19.9	14.7	14.7	14.6	16.2	14.4	14.3	14.2	14.1	14.9
Inventory Turns	7.5	8.9	9.4	9.4	9.4	8.4	9.4	9.4	9.4	9.4	8.9
Days of Inventory	48.5	41.2	39.0	39.0	39.0	43.4	39.0	39.0	39.0	39.0	41.0
Liquidity Ratios											
Current Ratio	4.1	4.9	4.8	4.6	4.6	4.6	5.2	5.2	5.3	5.4	5.4
Quick Ratio	3.4	4.0	3.9	3.7	3.8	3.8	4.3	4.3	4.4	4.5	4.5
Net Working Capital	\$578,482	\$528,395	\$547,628	\$572,592	\$598,651	\$598,651	\$623,618	\$651,203	\$680,441	\$709,804	\$709,804
Long-term Debt/Equity	27.0%	28.9%	28.3%	27.6%	26.9%	26.9%	26.3%	25.6%	24.9%	24.3%	24.3%
Total Debt/Equity	30.4%	28.9%	28.4%	27.6%	26.9%	26.9%	26.3%	25.6%	25.0%	24.3%	24.3%
Book Value and Cash											
Book Value Per Share	\$9.08	\$7.26	\$7.88	\$8.04	\$8.21	\$8.13	\$8.36	\$8.54	\$8.73	\$8.91	\$8.98
Tangible BV Per Share	2.66	1.88	2.15	2.34	2.54	2.51	2.72	2.93	3.14	3.36	3.38
Cash Per Share	3.59	2.37	2.87	2.90	3.03	3.00	3.37	3.49	3.66	3.84	3.86
Net Cash Per Share	0.82	0.27	0.64	0.68	0.81	0.81	1.17	1.30	1.48	1.67	1.68

Source: Company data, Oppenheimer & Co. Inc.

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Quarterly Consolidated Ratios

(\$ in Thousands)

	2007A	1Q08A Mar-08	2Q08E Jun-08	3Q08E Sep-08	4Q08E Dec-08	2008E	1Q09E Mar-09	2Q09E Jun-09	3Q09E Sep-09	4Q09E Dec-09	2009E
Cash Flow from Operations											
Net Income	\$89,892	\$15,748	\$19,236	\$25,024	\$26,088	\$86,096	\$24,965	\$27,552	\$29,172	\$29,264	\$110,952
(Inc.) Dec. in Accounts Receivable	(51,649)	7,072	2,522	(16,278)	(6,589)	(13,273)	16,841	(8,421)	(3,581)	(3,480)	1,360
(Inc.) Dec. in Inventories	(37,566)	6,687	(3,108)	(13,263)	(5,369)	(15,052)	13,722	(6,861)	(2,918)	(2,835)	1,108
(Inc.) Dec. in Other Receivables	(1,774)	(1,744)	1,566	(466)	(189)	(833)	482	(241)	(103)	(100)	39
(Inc.) Dec. in Other Current Assets	(19,087)	(5,304)	16,072	(4,641)	(1,879)	4,248	4,802	(2,401)	(1,021)	(992)	388
Inc. (Dec.) in Accounts Payables	(2,001)	1,638	(12,065)	4,868	1,565	(3,994)	(5,622)	2,234	538	902	(1,947)
Inc. (Dec.) in Short Term Debt	35,397	(35,087)	0	0	0	(35,087)	0	0	0	0	0
Inc. (Dec.) in Other Current Liabilities	27,449	(15,407)	19,417	9,833	3,980	17,824	(10,174)	5,087	2,163	2,102	(821)
(Inc.) Dec. in Op. Working Capital	(\$49,231)	(\$42,145)	\$24,404	(\$19,947)	(\$8,480)	(\$46,168)	\$20,052	(\$10,603)	(\$4,921)	(\$4,402)	\$126
Net Cash Flow from Operations	\$40,661	(\$26,397)	\$43,640	\$5,077	\$17,608	\$39,928	\$45,017	\$16,949	\$24,251	\$24,861	\$111,077
Cash Flow from Investing Activities											
Cap. Expenditures (Net of D&A)	(30,869)	(1,591)	(1,591)	(1,591)	(1,591)	(6,364)	(1,591)	(1,591)	(1,591)	(1,591)	(6,364)
(Inc.) Dec. in Long-Term Assets	(551,235)	14,870	0	0	0	14,870	0	0	0	0	0
Inc. (Dec.) in Other Long Term Liability	52,969	4,401	1,501	1,531	1,562	8,995	1,593	1,625	1,657	1,690	6,565
Net Cash Flow from Investing	(\$529,135)	\$17,680	(\$90)	(\$60)	(\$29)	\$17,501	\$2	\$34	\$66	\$99	\$201
Cash Flow from Financing Activities											
LT Debt or Other Financing	773	(87)	87	0	0	0	0	0	0	0	0
Other Equity Activity	340,454	(83,428)	0	0	0	(83,428)	0	0	0	0	0
Net Cash Flow from Financing Activities	\$341,227	(\$83,515)	\$87	\$0	\$0	(\$83,428)	\$0	\$0	\$0	\$0	\$0
Beginning Cash Balance	\$552,317	\$405,070	\$312,838	\$356,475	\$361,493	\$405,070	\$379,071	\$424,089	\$441,072	\$465,389	\$379,071
Total Change in Cash	(147,247)	(92,232)	43,637	5,017	17,578	(25,999)	45,018	16,983	24,317	24,961	111,279
Ending Cash Balance	\$405,070	\$312,838	\$356,475	\$361,493	\$379,071	\$379,071	\$424,089	\$441,072	\$465,389	\$490,350	\$490,350

Source: Company data, Oppenheimer & Co. Inc.

Arris Group

Supplemental Data

(\$ in Thousands)

	2007A	1Q08A Mar-08	2Q08E Jun-08	3Q08E Sep-08	4Q08E Dec-08	2008E	1Q09E Mar-09	2Q09E Jun-09	3Q09E Sep-09	4Q09E Dec-09	2009E
Geographic Mix											
Domestic	\$724,694	\$188,706									
% of Sales	73.0%	69.0%									
Q/Q Change		10.3%									
Y/Y Change	8.5%	8.0%									
International	\$268,100	\$84,800									
% of Sales	27.0%	31.0%									
Q/Q Change		7.3%									
Y/Y Change	20.0%	40.2%									
Customer Revenue Contribution (\$)											
Cox Communications	\$40,120										
Comcast	395,187	34,200									
Charter Communications		29,000									
Liberty Global	49,118										
Time Warner	106,440	71,000									
Customer Revenue Contribution (% of Sales)											
Cox Communications	4.0%	n/a									
Comcast	39.8%	12.5%									
Charter Communications		10.6%									
Liberty Global	4.9%	n/a									
Time Warner	10.7%	26.0%									
Bookings & Backlog											
Backlog	\$137,000	\$147,000									
Q/Q Change		7.3%									
Y/Y Change	47.8%	(13.4%)									
Bookings	\$994,000	\$285,000									
Q/Q Change		14.0%									
Y/Y Change	21.6%	(8.7%)									
Book-to-Bill		1.04									

Source: Company data, Oppenheimer & Co. Inc.

Arris Group

Broadband Communications

	2007A	1Q08A Mar-08	2Q08E Jun-08	3Q08E Sep-08	4Q08E Dec-08	2008E	1Q09E Mar-09	2Q09E Jun-09	3Q09E Sep-09	4Q09E Dec-09	2009E
CMTS											
Total CMTS Revenue	\$293,956	\$72,909	\$76,956	\$91,800	\$99,975	\$341,640	\$84,813	\$88,000	\$93,500	\$96,863	\$363,175
% of Sales	29.6%	26.7%	26.0%	28.1%	29.5%	27.6%	27.6%	27.2%	28.3%	28.8%	28.0%
Q/Q Change		(11.0%)	5.6%	19.3%	8.9%		(15.2%)	3.8%	6.3%	3.6%	
Y/Y Change	15%	7.7%	3.9%	30.8%	22.0%	16%	16.3%	14.4%	1.9%	(3.1%)	6%
Gross Margin	44.7%	47.6%	41.5%	42.0%	42.0%	43.1%	43.0%	44.0%	45.0%	45.0%	44.3%
CBR											
Total CBR Revenue	\$14,340	\$600	\$360			\$960					
% of Sales	1.4%	0.2%	0.1%			0.1%					
Q/Q Change		(25.0%)	(40.0%)								
Y/Y Change	(85.6%)	(93.1%)	(85.6%)			(93.3%)					
ASP		\$400	\$400								
Ports Shipped	38,250	1,500	900			2,400					
Gross Margin	45.6%	45.5%	45.0%			45.3%					
Edge QAM											
Total Edge QAM Revenue	\$1,125	\$2,664	\$5,293	\$7,560	\$9,940	\$25,457	\$9,975	\$13,110	\$16,320	\$19,598	\$59,003
% of Sales	0.1%	1.0%	1.8%	2.3%	2.9%	2.1%	3.2%	4.1%	4.9%	5.8%	4.5%
Q/Q Change		136.8%	98.7%	42.8%	31.5%		0.4%	31.4%	24.5%	20.1%	
Y/Y Change		NM	NM	NM	783.6%	2162.8%	274.4%	147.7%	115.9%	97.2%	131.8%
Ports Shipped	3,000	7,200	14,500	21,000	28,000	70,700	28,500	38,000	48,000	58,500	173,000
Gross Margin	(20.0%)	20.5%	26.0%	31.0%	33.0%	29.6%	35.0%	37.0%	39.0%	39.0%	37.9%
MTA											
Total MTA Revenue	\$553,430	\$109,200	\$123,200	\$134,900	\$134,520	\$501,820	\$118,125	\$127,500	\$125,060	\$123,950	\$494,635
% of Sales	55.7%	39.9%	41.6%	41.3%	39.7%	40.6%	38.4%	39.4%	37.9%	36.8%	38.1%
Q/Q Change		(15.7%)	12.8%	9.5%	(0.3%)		(12.2%)	7.9%	(1.9%)	(0.9%)	
Y/Y Change	36.0%	(7.7%)	(18.1%)	(13.1%)	3.9%	(9.3%)	8.2%	3.5%	(7.3%)	(7.9%)	(1.4%)
ASP		\$78	\$77	\$76	\$76		\$75	\$75	\$74	\$74	
Units Shipped	7,058	1,400	1,600	1,775	1,770	6,545	1,575	1,700	1,690	1,675	6,640
Gross Margin	20.4%	20.0%	21.0%	21.0%	21.0%	20.8%	21.2%	21.2%	21.0%	21.0%	21.1%
Other CPE											
Total CPE Revenue	\$14,987	\$4,264	\$4,375	\$4,166	\$3,926	\$16,731	\$3,337	\$2,836	\$2,411	\$2,049	\$10,633
% of Sales	1.5%	1.6%	1.5%	1.3%	1.2%	1.4%	1.1%	0.9%	0.7%	0.6%	0.8%
Q/Q Change		21.5%	2.6%	(4.8%)	(5.8%)		(15.0%)	(15.0%)	(15.0%)	(15.0%)	
Y/Y Change	7.5%	29.2%	13.4%	(3.6%)	11.8%	11.6%	(21.7%)	(35.2%)	(42.1%)	(47.8%)	(36.4%)
Units Shipped	533	164	159	154	148	626	126	107	91	77	401
Gross Margin	18.7%	19.5%	18.0%	17.5%	17.5%	18.1%	18.0%	18.0%	18.0%	18.0%	18.0%
Total											
Total Broadband Communications	\$879,638	\$189,637	\$210,183	\$238,426	\$248,361	\$886,607	\$216,249	\$231,446	\$237,291	\$242,459	\$927,445
% of Sales	88.6%	69.3%	71.0%	73.0%	73.2%	71.7%	70.3%	71.6%	71.9%	72.0%	71.5%
Q/Q Change		(12.6%)	10.8%	13.4%	4.2%		(12.9%)	7.0%	2.5%	2.2%	
Y/Y Change	12.0%	(4.7%)	(9.3%)	2.7%	14.5%	0.8%	14.0%	10.1%	(0.5%)	(2.4%)	4.6%
Gross Margin	28.9%	30.7%	28.6%	29.3%	29.9%	29.6%	30.3%	30.7%	31.7%	32.0%	31.2%
Gross Profit	253,932	58,192	60,134	69,958	74,206	262,490	65,604	71,111	75,136	77,630	289,481

Arris Group

Access, Transport and Supplies

(\$ in Thousands, Except Per Share Data)

	2007A	1Q08A Mar-08	2Q08E Jun-08	3Q08E Sep-08	4Q08E Dec-08	2008E	1Q09E Mar-09	2Q09E Jun-09	3Q09E Sep-09	4Q09E Dec-09	2009E
Access & Transport											
Total Access & Transport	\$8,223	\$52,916	\$53,974	\$55,593	\$57,261	\$219,744	\$57,376	\$57,662	\$58,124	\$58,937	\$232,099
% of Sales	0.8%	19.3%	18.2%	17.0%	16.9%	17.8%	18.7%	17.8%	17.6%	17.5%	17.9%
Q/Q Change		-1.0%	2.0%	3.0%	3.0%		0.2%	0.5%	0.8%	1.4%	
Y/Y Change					596.3%	2572.3%	8.4%	6.8%	4.6%	2.9%	5.6%
Gross Margin	38.5%	36.0%	41.0%	39.5%	40.5%	39.3%	41.0%	42.0%	42.0%	41.5%	41.6%
Supplies											
Total Supplies Revenue	\$102,286	\$19,978	\$20,178	\$20,481	\$20,788	\$81,425	\$20,830	\$20,934	\$21,101	\$21,397	\$84,261
% of Sales	10.3%	7.3%	6.8%	6.3%	6.1%	6.6%	6.8%	6.5%	6.4%	6.4%	6.5%
Q/Q Change		-11.9%	1.0%	1.5%	1.5%		0.2%	0.5%	0.8%	1.4%	
Y/Y Change	-3.9%	-44.5%	-4.2%	-9.1%	-8.3%	-20.4%	4.3%	3.7%	3.0%	2.9%	3.5%
Gross Margin	17.4%	14.1%	17.7%	17.8%	17.8%	16.9%	17.6%	17.7%	17.7%	17.7%	17.7%
Total											
Total Access, Transport and Supplies	\$110,509	\$72,894	\$74,152	\$76,074	\$78,049	\$301,169	\$78,205	\$78,596	\$79,225	\$80,334	\$316,360
% of Sales	11.1%	26.7%	25.0%	23.3%	23.0%	24.4%	25.4%	24.3%	24.0%	23.9%	24.4%
Q/Q Change		135.9%	1.7%	2.6%	2.6%		0.2%	0.5%	0.8%	1.4%	
Y/Y Change	3.8%	102.4%	252.1%	237.5%	152.6%	172.5%	7.3%	6.0%	4.1%	2.9%	5.0%
Gross Margin	19.0%	30.0%	34.7%	33.7%	34.5%	33.2%	34.8%	35.5%	35.5%	35.2%	35.2%
Gross Profit	20,954	21,876	25,701	25,605	26,891	100,072	27,190	27,923	28,147	28,246	111,507

Source: Company data, Oppenheimer & Co. Inc.

Arris Group

Media and Communications Systems

(\$ in Thousands, Except Per Share Data)

	2007A	1Q08A Mar-08	2Q08E Jun-08	3Q08E Sep-08	4Q08E Dec-08	2008E	1Q09E Mar-09	2Q09E Jun-09	3Q09E Sep-09	4Q09E Dec-09	2009E
Software Products											
Total OSS and On-Demand	\$2,647	10,975	11,853	12,327	12,820	\$47,975	13,077	13,338	13,605	13,877	\$53,897
% of Sales	0.3%	4.0%	4.0%	3.8%	3.8%	3.9%	4.3%	4.1%	4.1%	4.1%	4.2%
Q/Q Change		357.3%	8.0%	4.0%	4.0%		2.0%	2.0%	2.0%	2.0%	
Y/Y Change		318.3%	(25.5%)	(35.1%)	434.2%	1712.4%	19.1%	12.5%	10.4%	8.2%	12.3%
Gross Margin	58.0%	49.0%	58.5%	60.0%	60.0%	57.1%	60.5%	61.0%	61.5%	61.5%	61.1%
Gross Profit	1,535	5,381	6,934	7,396	7,692	27,403	7,911	8,136	8,367	8,534	32,949

Source: Company data, Oppenheimer & Co. Inc.

Arris Group

Summary Tables

(Units and \$ in Thousands)

		1Q08A	2Q08E	3Q08E	4Q08E		1Q09E	2Q09E	3Q09E	4Q09E	
Revenue	2007A	Mar-08	Jun-08	Sep-08	Dec-08	2008E	Mar-09	Jun-09	Sep-09	Dec-09	2009E
Broadband Communications	\$879,638	\$189,637	\$210,183	\$238,426	\$248,361	\$886,607	\$216,249	\$231,446	\$237,291	\$242,459	\$927,445
of which:											
CMTS	293,956	72,909	76,956	91,800	99,975	341,640	84,813	88,000	93,500	96,863	363,175
CBR	14,340	600	360	0	0	960	0	0	0	0	0
HDT	1,800	0	0	0	0	0	0	0	0	0	0
QAM	1,125	2,664	5,293	7,560	9,940	25,457	9,975	13,110	16,320	19,598	59,003
MTA	553,430	109,200	123,200	134,900	134,520	501,820	118,125	127,500	125,060	123,950	494,635
Other CPE	14,987	4,264	4,375	4,166	3,926	16,731	3,337	2,836	2,411	2,049	10,633
Access, Transport and Supplies	\$110,509	\$72,894	\$74,152	\$76,074	\$78,049	\$301,169	\$78,205	\$78,596	\$79,225	\$80,334	\$316,360
of which:											
Access & Transport	8,223	52,916	53,974	55,593	57,261	219,744	57,376	57,662	58,124	58,937	232,099
Supplies	102,286	19,978	20,178	20,481	20,788	81,425	20,830	20,934	21,101	21,397	84,261
Media and Communications	\$2,647	\$10,975	\$11,853	\$12,327	\$12,820	\$47,975	\$13,077	\$13,338	\$13,605	\$13,877	\$53,897
Total Revenue	\$992,794	\$273,506	\$296,188	\$326,827	\$339,230	\$1,235,752	\$307,531	\$323,380	\$330,121	\$336,670	\$1,297,702
Revenue Contribution											
Broadband Communications	88.6%	69.3%	71.0%	73.0%	73.2%	71.7%	70.3%	71.6%	71.9%	72.0%	71.5%
of which:											
CMTS	29.6%	26.7%	26.0%	28.1%	29.5%	27.6%	27.6%	27.2%	28.3%	28.8%	28.0%
CBR	1.4%	0.2%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
HDT	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
QAM	0.1%	1.0%	1.8%	2.3%	2.9%	2.1%	3.2%	4.1%	4.9%	5.8%	4.5%
MTA	55.7%	39.9%	41.6%	41.3%	39.7%	40.6%	38.4%	39.4%	37.9%	36.8%	38.1%
Other CPE	1.5%	1.6%	1.5%	1.3%	1.2%	1.4%	1.1%	0.9%	0.7%	0.6%	0.8%
Access, Transport and Supplies	11.1%	26.7%	25.0%	23.3%	23.0%	24.4%	25.4%	24.3%	24.0%	23.9%	24.4%
of which:											
Access & Transport	0.8%	19.3%	18.2%	17.0%	16.9%	17.8%	18.7%	17.8%	17.6%	17.5%	17.9%
Supplies	10.3%	7.3%	6.8%	6.3%	6.1%	6.6%	6.8%	6.5%	6.4%	6.4%	6.5%
Media and Communications	0.3%	4.0%	4.0%	3.8%	3.8%	3.9%	4.3%	4.1%	4.1%	4.1%	4.2%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, Oppenheimer & Co. Inc.

Valuation

Our 12-18 month price target is \$7.50.

Price Target Calculation

Our \$7.50 price target represents an 11.0x multiple of our 2008 EPS estimate of \$0.68. Our target valuation represents a discount to the median 16.7x multiple of 2008E EPS for Arris' peer group. We believe a discount to the peer group is justified in light of the company's customer and product concentration risks and challenging macro environment.

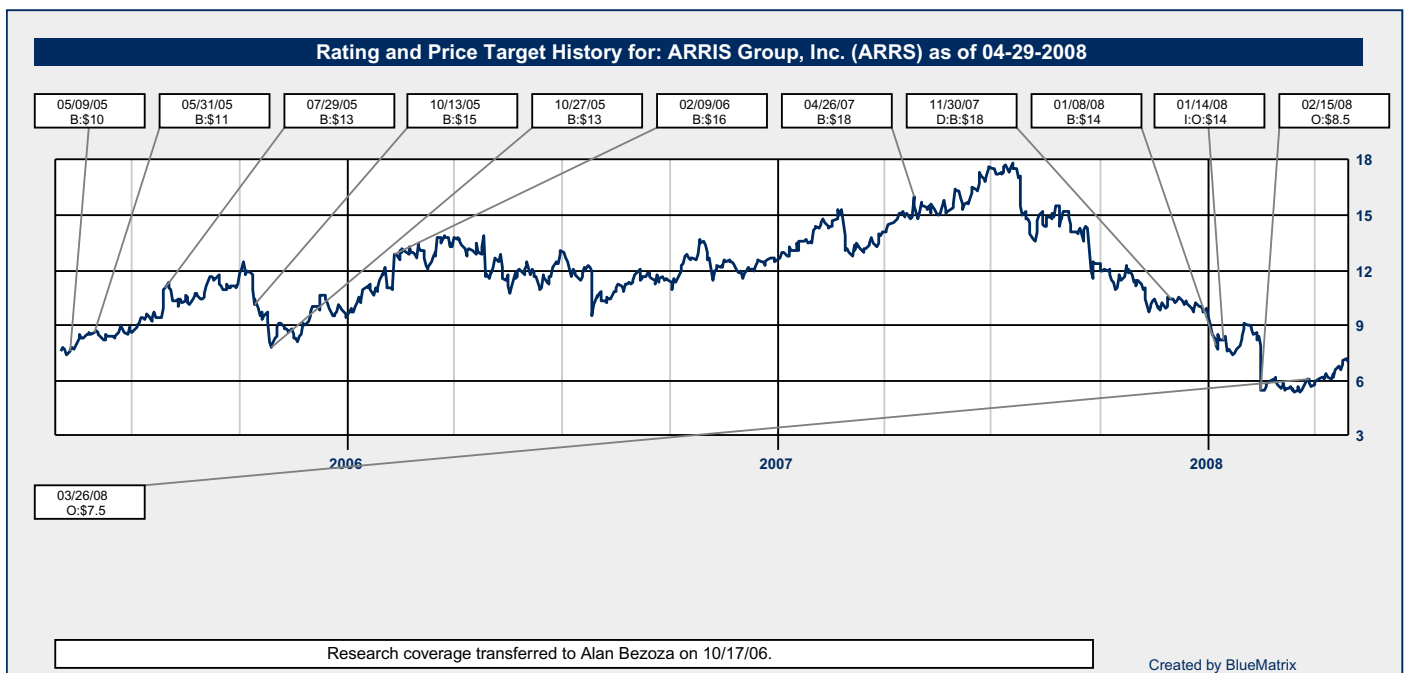
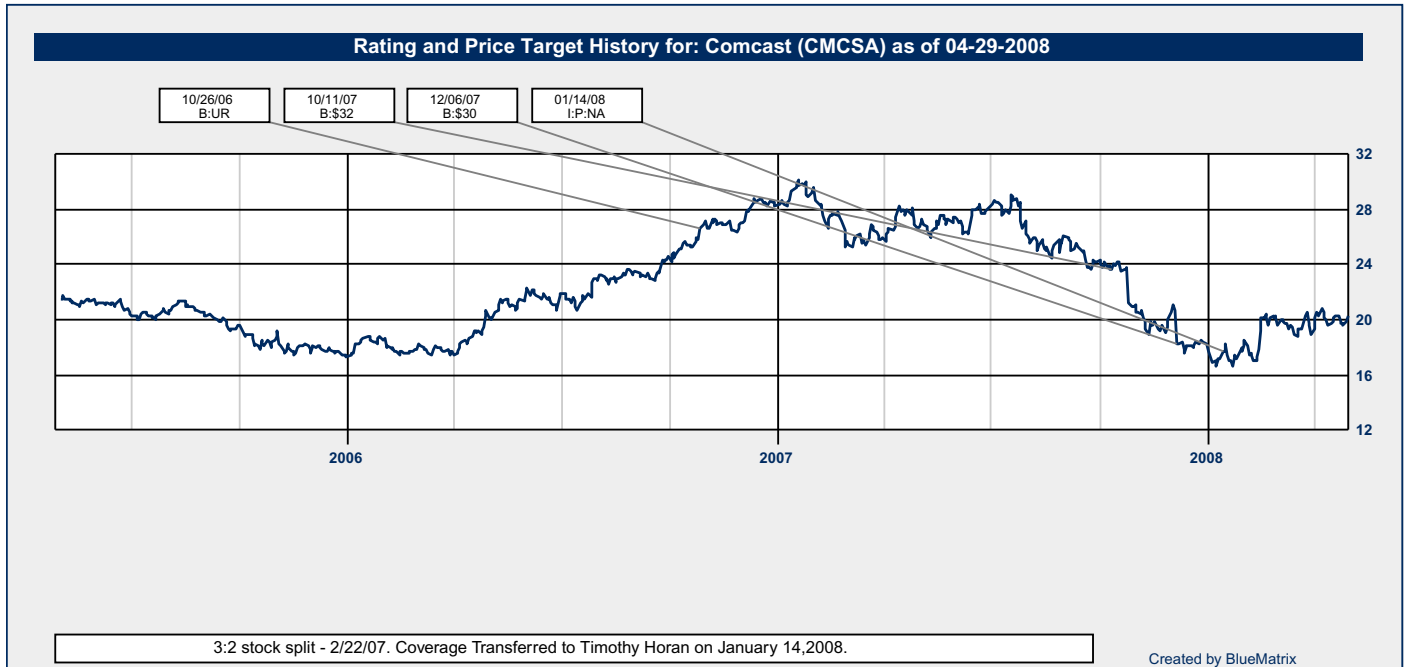
Risk Factors

Arris sells to a concentrated number of large customers. One customer in by itself—Comcast (CMCSA, \$19.38, Perform)—represents more than 1/3 of the combined Arris/C-COR's sales. There is an ongoing risk that a large customer such as this could shift cap-ex priorities to Arris' detriment. As a high-beta stock, Arris is at particular risk if expectations change for cable equipment sector spending. A change in sentiment could impact Arris' stock price disproportionately. Arris recently acquired C-COR—a provider of cable access, video on demand and OSS software solutions. While acquisitions can lead to accretion and incremental opportunities, M&A also presents significant execution risk.

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All price targets displayed in the chart above are for a 12-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 125 Broad St., 13th Fl., New York, NY 10004, Attention: Research Disclosure.

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Not Rated (NR) - Oppenheimer & Co. Inc. does not maintain coverage of the stock or is restricted from doing so due to a

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Distribution of Ratings/IB Services Firmwide				
Rating	Count	IB Serv/Past 12 Mos.		
		Percent	Count	Percent
OUTPERFORM [O]	373	47.82	58	15.54
PERFORM [P]	376	48.20	44	11.70
UNDERPERFORM [U]	23	2.94	0	0.00
NOT RATED [NR]	8	1.02	0	0.00

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