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INDUSTRY COMPETITION AND BUSINESS GROWTH WILL DRIVE MIDDLE MARKET M&A ACTIVITY IN 2008

*Survey of North American Finance Executives
Highlights Factors Driving M&A Activity*

NEW YORK — February 26, 2008 — A new survey among middle market companies conducted by [CFO Research Services](#), in collaboration with [CIT Group Inc.](#) (NYSE: CIT), a leading global commercial finance company, reveals that fundamental business drivers such as growth and competition continue to stimulate M&A activity in the middle market. The results of the survey, entitled *M&A in Challenging Times*, suggest that companies—particularly those with strong balance sheets and continuing access to credit—will continue to pursue M&A transactions that satisfy these needs.

“Despite current market conditions, middle market companies continue to view mergers and acquisitions as an important option for business growth, especially in terms of gaining competitive advantage,” said [Walter Owens](#), President of [Corporate Finance](#) at CIT. “Even though companies will apply more stringent criteria when evaluating potential M&A targets, it is clear that if a transaction is a strategic acquisition to meet business objectives, companies will continue to execute on deals.”

According to the study, more than half of the finance executives surveyed noted that competitive advantage and investor pressure to show growth will continue to drive M&A volume in 2008. The primary business motivators for middle market acquisitions include adding product and service lines, accessing new markets and improving efficiencies. These results suggest that middle

market companies seek to leverage core capabilities and infrastructure through acquisitions.

A substantial number of survey respondents (37 percent), however, said that recent changes in the capital markets will affect the way their companies prepare for and carry out M&A transactions in 2008. These changes may affect middle market companies more acutely than their larger counterparts, due to resource and other constraints. When asked to compare their ability to evaluate deals with that of their larger counterparts, U.S. respondents most frequently said that limited resources for identifying and evaluating acquisition targets (45 percent), difficulty raising capital (44 percent) and the lack of transparency among private companies (37 percent) are greater challenges for middle market companies seeking acquisitions

Celina Rogers, Associate Director of Research at CFO Research Services, said, "In this study, we found that the underlying factors that motivate middle market companies to seek acquisitions remained intact, even under tight credit conditions. As the economy continues to weaken, we believe that companies will focus on deals that align closely with these business objectives."

The survey, fielded in November 2007, surveyed 529 senior-level finance decision makers at middle market U.S. and Canadian companies from a wide range of industries. Industry-specific findings can be found at <http://middlemarket.cit.com>.

ADDITIONAL FINDINGS:

- **CHANGING CAPITAL MARKETS.** Respondents said the availability of cash, credit and private equity is less likely to contribute to M&A activity in 2008. Sixty-three percent of all respondents said availability of private equity capital contributed to M&A volume over the last three years, while only 38 percent said it will continue to do so this year. Seventy percent of all respondents said that large amounts of cash on corporate balance sheets contributed to M&A volume over the last three years, while only 34

percent said it will continue to do so in 2008. Sixty-four percent said the availability of credit contributed to M&A volume over the last three years, and only 29 percent said it will contribute to M&A volume in 2008.

- **ESTABLISHING UNIFORM COMPANY CULTURE.** The top three challenges when acquiring a company cited by U.S. respondents were (1) establishing a uniform culture (46% of respondents), (2) integrating IT systems (38%), and (3) communicating and executing strategic objectives across the new company (37%).

Individuals interested in receiving future updates on CIT via e-mail can register at <http://newsalerts.cit.com>.

About CIT's Research

As a leader in middle market financing, CIT is committed to conducting strategic, in-depth research on the middle market. This traditionally under-recognized industry segment generates more than twice the revenues (\$6 trillion in sales) and employs four times the number of people (approximately 32 million), as compared with the blue chips that comprise the Dow Jones Industrial Average¹. The release of *M&A in Challenging Times* follows CIT's inaugural [2007 U.S. Middle Market Outlook](#) survey conducted in conjunction with [The Economist Intelligence Unit](#).

About CIT

CIT (NYSE: CIT) is a global commercial finance company that provides financial products and advisory services to more than one million customers in over 50 countries across 30 industries. A leader in middle market financing, CIT has more than \$80 billion in managed assets and provides financial solutions for more than half of the Fortune 1000. A member of the S&P 500 and Fortune 500, it maintains leading positions in asset-based, cash flow and Small Business Administration lending, equipment leasing, vendor financing and factoring. The CIT brand platform, Capital Redefined, articulates its value proposition of providing its customers with the relationship, intellectual and financial capital to yield infinite possibilities. Founded in 1908, CIT is celebrating its Centennial throughout 2008. www.cit.com

About CFO Research Services

CFO Research is the sponsored research unit of CFO Publishing Corp., which publishes *CFO* magazine in the United States, Europe, China and Asia. CFO Publishing is an Economist Group business.

¹ U.S. Census, 2002

CIT MEDIA RELATIONS

C. Curtis Ritter
Director of External Communications & Media Relations
212- 461-7711
Curt.Ritter@cit.com

Mary Flynn
Director of Media Relations
212- 461-7860
Mary.Flynn@cit.com

CIT INVESTOR RELATIONS

Ken Brause
Executive Vice President
212-771-9650
Ken.Brause@cit.com