

CIT GROUP INC
Form 10-Q
August 11, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2008

or Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-31369

CIT GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

65-1051192
(IRS Employer Identification Number)

505 Fifth Avenue, New York, New York
(Address of Registrant's principal executive offices)

10017
(Zip Code)

(212) 771-0505
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company .

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 under the Securities Exchange Act of 1934. Yes No

As of August 1, 2008, there were 285,359,388 shares of the registrant's common stock outstanding.

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Part One Financial Information

ITEM 1. Consolidated Financial Statements

CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Unaudited) Assets (dollars in millions except share data)

	June 30, 2008	December 31, 2007
Financing and leasing assets held for investment:		
Finance receivables, including receivables pledged of \$17,692.9 and \$16,425.6	\$ 53,223.7	\$ 53,760.9
Reserve for credit losses	(780.8)	(574.3)
Net finance receivables	52,442.9	53,186.6
Operating lease equipment, net	12,342.4	12,610.5
Financing and leasing assets held for sale	1,016.7	1,260.2
Cash and cash equivalents, including \$1,146.5 and \$479.2 restricted	9,187.0	6,752.5
Retained interests in securitizations	1,216.3	1,177.5
Goodwill and intangible assets, net	1,165.6	1,152.5

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Other assets	4,880.3	5,172.5
Assets of discontinued operation	5,568.2	9,301.1
Total Assets	\$ 87,819.4	\$ 90,613.4

CONSOLIDATED BALANCE SHEETS Liabilities and Stockholders Equity

Debt:		
Bank credit facilities	\$ 7,300.0	\$
Secured borrowings	14,713.1	12,644.4
Senior unsecured notes	44,396.3	49,365.8
Junior subordinated notes	1,440.0	1,440.0
Commercial paper	62.0	2,822.3
Total debt	67,911.4	66,272.5
Deposits	2,002.1	2,745.8
Credit balances of factoring clients	3,189.7	4,542.2
Accrued liabilities and payables	4,031.0	5,196.6
Liabilities of discontinued operation	4,476.8	4,838.2
Total Liabilities	81,611.0	83,595.3
Commitments and Contingencies (Notes 12 and 15)		
Minority interest	53.7	57.5
Stockholders Equity:		
Preferred stock: \$0.01 par value, 100,000,000 authorized		
Issued and outstanding:		
Series A 14,000,000 with a liquidation preference of \$25 per share	350.0	350.0
Series B 1,500,000 with a liquidation preference of \$100 per share	150.0	150.0
Series C 11,500,000 with a liquidation preference of \$50 per share	575.0	
Common stock: \$0.01 par value, 600,000,000 authorized		
Issued: 308,644,872 and 214,390,177	3.1	2.1
Outstanding: 285,303,453 and 189,925,903		
Paid-in capital, net of deferred compensation of \$37.0 and \$34.4	11,297.7	10,453.9
Accumulated deficit	(5,291.4)	(2,949.8)
Accumulated other comprehensive income	240.8	194.8
Less: treasury stock, 23,341,419 and 24,464,574 shares, at cost	(1,170.5)	(1,240.4)
Total Common Stockholders Equity	5,079.7	6,460.6
Total Stockholders Equity	6,154.7	6,960.6
Total Liabilities and Stockholders Equity	\$ 87,819.4	\$ 90,613.4

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited) (dollars in millions except per share data)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Finance revenue	\$ 1,409.2	\$ 1,561.7	\$ 2,905.4	\$ 2,997.7
Interest expense	(747.1)	(847.7)	(1,579.2)	(1,637.8)
Depreciation on operating lease equipment	(280.1)	(292.3)	(574.7)	(555.9)
Net finance revenue	382.0	421.7	751.5	804.0
Provision for credit losses	(152.2)	(12.6)	(398.9)	(48.5)
Net finance revenue, after credit provision	229.8	409.1	352.6	755.5
Valuation allowance for receivables held for sale	13.6	(22.5)	(103.9)	(22.5)
Net finance revenue, after credit provision and valuation allowance	243.4	386.6	248.7	733.0
Other income	155.3	500.8	333.8	817.8
Total net revenue, after valuation allowance	398.7	887.4	582.5	1,550.8
Salaries and general operating expenses	(318.1)	(351.7)	(621.8)	(683.0)
Provision for severance and facilities exiting activities	(17.0)	(34.9)	(86.1)	(34.9)
Gain (loss) on debt and debt-related derivative extinguishments	5.5		(142.6)	(139.3)
Income (loss) from continuing operations before provision for income taxes and minority interest	69.1	500.8	(268.0)	693.6
Benefit (provision) for income taxes	(21.2)	(148.5)	75.2	(164.9)
Minority interest, after tax	0.2	(0.2)	(10.8)	(0.3)
Net (loss) income from continuing operations, before preferred stock dividends	48.1	352.1	(203.6)	528.4
	(355.5)	(742.2)	(551.3)	(692.8)

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(Loss) from discontinued operation before
income
taxes

(Loss) on disposition of discontinued operation	(2,195.6)		(2,195.6)	
Benefit for income taxes	435.3	263.1	633.1	245.5
(Loss) from discontinued operation	(2,115.8)	(479.1)	(2,113.8)	(447.3)
Net (loss) income before preferred stock dividends	(2,067.7)	(127.0)	(2,317.4)	81.1
Preferred stock dividends	(16.7)	(7.5)	(24.2)	(15.0)
Net (loss) income (attributable) available to common stockholders	\$ (2,084.4)	\$ (134.5)	\$ (2,341.6)	\$ 66.1

Basic earnings per common share data

Income (loss) from continuing operations	\$ 0.12	\$ 1.80	\$ (1.00)	\$ 2.66
(Loss) from discontinued operation	(8.00)	(2.50)	(9.28)	(2.32)
Net (loss) income	\$ (7.88)	\$ (0.70)	\$ (10.28)	\$ 0.34

Diluted earnings per common share data

Income (loss) from continuing operations	\$ 0.12	\$ 1.76	\$ (1.00)	\$ 2.61
(Loss) from discontinued operation	(8.00)	(2.45)	(9.28)	(2.27)
Net (loss) income	\$ (7.88)	\$ (0.69)	(10.28)	0.34

Average number of shares basic (thousands)	264,381	191,808	227,704	192,953
Average number of shares diluted (thousands)	264,381	195,349	227,704	196,635
Dividends per common share	\$ 0.10	\$ 0.25	\$ 0.35	\$ 0.50

See Notes to Consolidated Financial Statements.

Item 1: Consolidated Financial Statements

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CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity (Unaudited) (dollars in millions)

	Preferred Stock	Common Stock	Paid-in Capital	Accumulated (Deficit) / Earnings	Accumulated Other Comprehensive Income / (Loss)	Treasury Stock	Total Stockholders Equity
December 31, 2007	\$ 500.0	\$ 2.1	\$ 10,453.9	\$ (2,949.8)	\$ 194.8	\$ (1,240.4)	\$ 6,960.6

Net loss before preferred stock dividends

(2,317.4)

(2,317.4)

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Foreign currency translation adjustments				(0.8)			(0.8)
Change in fair values of derivatives qualifying as cash flow hedges				55.8			55.8
Unrealized loss on available for sale equity and securitization investments, net				(4.7)			(4.7)
Changes in benefit plan net gain/[loss] and prior service (cost)/credit, net of tax				(4.3)			(4.3)
Total comprehensive loss							(2,271.4)
Cash dividends common			(76.4)				(76.4)
Cash dividends preferred				(24.2)			(24.2)
Restricted stock expense			(6.1)		(4.7)		(10.8)
Stock option expense			9.6				9.6
Issuance of stock	575.0	1.0	958.9				1,534.9
Stock issuance pursuant to repurchase agreement			(33.8)		65.0		31.2
Employee stock purchase plan participation, other			(8.4)		9.6		1.2
June 30, 2008	\$ 1,075.0	\$ 3.1	\$ 11,297.7	\$ (5,291.4)	\$ 240.8	\$ (1,170.5)	\$ 6,154.7

See Notes to Consolidated Financial Statements.

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CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)
Six Months Ended June 30, (dollars in millions)

	2008	2007
Cash Flows From Operations		
Net (loss) income before preferred stock dividends	\$ (2,317.4)	\$ 81.1
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation, amortization and accretion	635.3	610.8
Gains on equipment, receivable and investment sales	(98.4)	(405.1)
Valuation allowance for receivables held for sale	126.9	787.9
Loss on debt and debt-related derivative extinguishments	142.6	139.3
Provision for credit losses continuing operations	398.9	48.5
(Benefit) for deferred income taxes	(755.7)	(222.1)
Share-based compensation amortization		35.1
Decrease (increase) in finance receivables held for sale	147.9	(191.9)
Decrease (increase) in other assets	7.3	(481.3)
Increase in accrued liabilities and payables	476.9	273.6
Provision for credit losses discontinued operation	608.5	95.6

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Loss on disposition of discontinued operation, net of tax	1,863.6	
Net cash flows provided by operations	1,236.4	771.5
Cash Flows From Investing Activities		
Finance receivables extended and purchased	(32,308.5)	(39,196.6)
Principal collections of finance receivables and investments	29,103.9	31,621.4
Proceeds from asset and receivable sales	3,669.2	5,618.2
Purchases of assets to be leased and other equipment	(1,372.7)	(1,433.0)
Net (increase) in short-term factoring receivables	(368.9)	(81.2)
Net proceeds from disposition of discontinued operation	340.6	
Acquisitions, net of cash acquired		(3,889.5)
Net cash flows (used for) investing activities	(936.4)	(7,360.7)
Cash Flows From Financing Activities		
Net (decrease) increase in commercial paper	(2,760.3)	830.4
Proceeds from the issuance of term debt	11,217.8	11,529.3
Repayments of term debt	(7,664.6)	(4,859.8)
Net (decrease) increase in deposits	(743.7)	569.7
Net repayments of non-recourse leveraged lease debt	(15.9)	(26.5)
Collection of security deposits and maintenance funds	1,257.5	