BAT stubs out 2,300 jobs, as vaping casts cloud

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Electronic cigarettes have made major inroads into the market for traditional cigarettes, forcing tobacco companies to adjust their operations

British American Tobacco on Thursday said it planned to cut 2,300 jobs globally by January as its new boss seeks to drive revenues in controversial e-cigarettes.

"My goal is to oversee a step change in new category growth and significantly simplify our current ways of working and business processes, whilst delivering long-term sustainable returns for our shareholders," chief executive Jack Bowles said in a statement.

"This is a vital first move," added the BAT veteran, who became CEO in April.

Bowles' announcement comes one day after US President Donald Trump's administration said it would soon ban flavoured e-cigarette products to stem a rising tide of youth users following a spate of vaping-linked deaths.

Companies such as BAT are lighting up strong revenue streams from e-cigarettes in the face of falling demand for traditional tobacco products, especially in Western markets, where high taxes, public smoking bans and health worries have persuaded consumers to turn to controversial alternatives.

Bowles said the jobs cuts, of which more than 20 percent will be senior roles, would see BAT "better placed" to deliver £5.0 billion ($6.2 billion, 5.6 billion euros) in new category revenues by 2024.

"A programme of this significance involves decisions that will be difficult for our people, but ultimately it is the right thing for our business," said Bowles, whose company makes traditional cigarette brands Dunhill and Lucky Strike.

BAT, which employs around 55,000 staff worldwide, did not specify which regions would suffer the job cuts that are equal to a little over four percent of its workforce.

Almost three years ago, BAT took control of US peer Reynolds American in a deal worth about $50 billion in a move that specifically targeted the lucrative US market and the fast-growing e-cigarette sector.

BAT on Thursday said the latest restructuring would ensure the company "is better placed to meet ever-evolving consumer needs and deliver savings that can be reinvested in the growth of its portfolio of new categories such as vapour, tobacco heating products and oral tobacco".

'Run out of puff'

However Wednesday's US developments were seen as a major blow to the burgeoning vaping industry, worth $10.2 billion globally in 2018, according to Grand View Research.

E-cigarettes have been available in the US since 2006 and were widely considered a safer alternative to traditional smoking.

But while e-cigarettes do not contain the estimated 7,000 chemical constituents present in traditional cigarettes, a number of substances have been identified as potentially harmful and the vapour could contain traces of metal, according to a 2018 study prepared for Congress.

Also this week, billionaire and former New York mayor Michael Bloomberg announced a $160-million campaign to ban flavoured e-cigarettes in the United States.

"Falling numbers of smokers and increasingly strict rules in developed economies have seen tobacco manufacturers turn their focus to so-called next generation products such as e-cigarettes for future growth," said AJ Bell investment director Russ Mould.

"Today's announcement represents a bold first step for new chief executive Jack Bowles, but he must hope the crackdown on vaping doesn't see his growth ambitions run out of puff."

BAT shares rose 2.0 percent to £31 on London's benchmark FTSE 100 index, which was stable overall.