

British American Tobacco Poised to Take Over Reynolds American in \$49 Billion Deal

By Alexander Baptiste, J.D. Candidate 2018 | January 29, 2016

On January 17th, British American Tobacco [announced](#) that its offer to purchase the remaining stake in Reynolds American had been accepted.

The [\\$49 billion deal](#) to purchase Reynolds American will produce the world's largest publicly traded tobacco business, combining companies with major brands that include Camel, Newport, Lucky Strike and Pall Mall.

Prior to the merger, British American Tobacco already [owned](#) about 42% of Reynolds, and had previously launched a \$47 billion bid in October to purchase the remaining 58%. This initial offer was refused, and British American was forced to submit a higher bid to win the approval of Reynolds' directors. This newly announced cash-and-stock offer of \$59.64 per share is about 26% above the price that Reynolds stock closed at prior to the original offer in October.

Contingent upon regulator and shareholder approval, the two multi-national corporations expect the [deal](#) to be finalized in the third quarter of this year. Should the deal go through, Reynolds shareholders will [receive](#) \$29.44 per share in cash and a number of British American Tobacco American depositary shares.

The existing ties of these two companies mean that they already share [ownership of some notable brands](#). Nicandro Durante, the British American Tobacco Chief Executive Officer, said in a news release that the merger will “create a stronger global tobacco and N.G.P. business, with direct access for our products across the most attractive markets in the world.” Durante also stated his belief that this mega-merger will “drive continued, sustainable profit growth and returns for shareholders long into the future.”

Experts posit that the deal will enable the two firms to pool their resources in the growing industry for next generation tobacco products, including [e-cigarettes](#). The acquisition comes as e-cigarettes and “vaping” are becoming increasing [popular](#) among consumers.

“This combination will create a truly global tobacco company with multiple iconic tobacco brands, and world-class pipeline of next-generation vapor and tobacco-heating products,” said Susan Cameron, who recently [stepped down](#) as CEO of Reynolds American and now serves as executive chairman.

According to some analysts, this takeover could spark further deals, as Phillip Morris International and Japan Tobacco jostle for market share in an industry that is [shrinking](#) as more people quit smoking. As it stands, the combined tobacco giant of Reynolds American and British American Tobacco will be the only [major industry player](#) with big market share in both the United States and overseas.