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Juul Secures Financing to Avoid Bankruptcy, Plans to Cut 30% of Jobs

Vaping company says it will lay off about 400 people after getting bailout from board members



Juul e-cigarettes for sale in Los Angeles over the summer.

PHOTO: MARIO TAMA/GETTY IMAGES

By *Jennifer Maloney* [Follow](#)

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Juul Labs Inc. has secured a cash infusion from some of its early investors to stave off bankruptcy and plans to lay off about a third of its global staff, company officials said.

The embattled e-cigarette maker had been preparing for a possible chapter 11 filing amid a dispute with federal regulators over whether its products can remain on the U.S. market.

With the new infusion, Juul told employees Thursday that it has stopped its bankruptcy preparations and is working on a cost-cutting program. Juul plans to lay off about 400 people and reduce its operating budget by 30% to 40%, company officials said.

The investment deal is the first piece of a bailout package under discussion with two of Juul's biggest investors, Hyatt Hotels heir Nick Pritzker and California investor Riaz

Valani. The Journal previously reported that Juul was in discussions with the two longtime board members on a lifeline for the company.

Juul called the investment and restructuring plans a path forward. The goal of the fundraising is to put Juul on firmer financial footing so it can stay in business, pursue its dispute with the Food and Drug Administration and continue its product development and scientific research, the company said.

Terms of the investment couldn't be learned. Other early investors might also chip in, the company said. A second part of the bailout, which could cover near-term legal liabilities, is under discussion, according to people familiar with the matter.

In a separate deal, the same two board members in late September refinanced a Juul term loan of between \$300 million and \$500 million, according to people familiar with the matter. Juul refinanced that debt because the terms of the previous loan required that Juul keep a high amount of cash on hand, and the company needed to access more of its cash, the people said.

Juul upended the tobacco market in 2018 with its sleek vaporizers, which quickly became a teen status symbol. Lawmakers and parents blamed the startup for a surge in underage vaping. Juul now faces thousands of lawsuits alleging that it marketed to children and teenagers. Juul has said it never targeted underage users. The company halted U.S. sales of its sweet and fruity flavors and stopped much of its U.S. advertising. It no longer ranks among the top e-cigarette brands used by young people.

The first bellwether trial—a case brought by the San Francisco Unified School District—had been set to begin this month but on Wednesday was postponed until April. Another bellwether trial, a personal-injury case brought by the mother of a minor identified as B.B., is set to start in January in the U.S. District Court for the Northern District of California.

The FDA in June ordered Juul's products off the market, then paused the ban pending Juul's appeal. Since then, the company's sales have slowed. The uncertainty around the ban has made it difficult for Juul to secure financing to fund its operations and legal settlements.

Last month, Marlboro maker Altria Group Inc. said it would work with Japan Tobacco on heated tobacco devices and other smoke-free products that could compete with Juul.

Altria became one of Juul's biggest investors when it bought a 35% stake in 2018, but the cigarette maker has since written off much of the value of that investment.

Mr. Valani and Mr. Pritzker were Juul's largest shareholders before Altria bought its Juul stake for \$12.8 billion, according to people familiar with the matter. Almost all of that cash was paid out in employee bonuses and shareholder dividends, including more than \$2 billion to Mr. Valani and more than \$1 billion to Mr. Pritzker, the people said.

—*Soma Biswas contributed to this article.*

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