



BUSINESS

E-cigarette maker files for bankruptcy

By Lisa Fickenscher

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Photo: AP

NJOY, one of the biggest electronic cigarette makers, is going up in smoke.

The company filed for bankruptcy protection on Sept. 16 in Delaware federal court, burning some high-powered Silicon Valley investors, including Sean Parker, co-founder of the now-defunct Napster, and PayPal founder Peter Thiel, who were part of a \$70 million capital round that valued NJOY at \$1 billion in 2013. Singer Bruno Mars is also an investor in NJOY and a fan of the e-cigarettes, which heat nicotine-laced liquid into vapor.

Parker, who ponied up \$10 million to put into the company, said at the time that electronic cigarettes had the potential to make regular cigarettes “and all the harm they cause obsolete.”

The filing comes just five months after new federal regulations from Food and Drug Administration threaten the fast-growing multibillion-dollar industry that includes tobacco giants Altria and Reynolds, which own MarkTen and Vuse, respectively.

The Scottsdale, Ariz.-based firm is the first e-cigarette company to file for bankruptcy, according to Jude Gorman, general counsel at Reorg Research. “All of the e-cigarette companies are affected by the regulations, but NJOY has a lot of debt it can’t pay.”

It has an accumulated deficit of \$234.4 million, according to the filing. NJOY also solicited buyers, hiring Barclays in January, but it had no takers.

Among its biggest downfalls was a product called King, disposable e-cigarettes that generated a lot of product returns. Gross sales of King declined to \$7.4 million last year from a peak of \$93 million in 2013, according to the filing.

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