

BAT South Africa to close manufacturing facility, end local production in SA by year-end

- **BATSA to close its manufacturing facility in Heidelberg, Gauteng, after illicit trade wipes out ~75% of legal cigarette market**
- **Company remains committed to and active in South Africa, shifting to an import model**
- **Closure threatens approximately 230 jobs in Lesedi Municipality as BATSA warns policy failures and weak enforcement put all legitimate manufacturers at risk**

CAPE TOWN, 15 January 2026 — BAT South Africa (BATSA) today announced it will cease local production of factory manufactured cigarettes (FMC) and close its sole South African manufacturing facility by the end of 2026, as a result of the devastating impact of the illicit cigarette trade on the local market.

However, the company emphasised that it remains committed to the South African market and will transition from a local manufacturing model to an import-based supply chain to continue serving adult consumers in the market.

“With approximately 75% of the South African cigarette market now estimated to be illicit, continued local manufacturing has become unviable,” said Johnny Moloto, Head of Corporate & Regulatory Affairs at BAT Sub-Saharan Africa.

Located in Heidelberg, Gauteng, the facility currently operates at just 35% of total capacity due to severe volume losses, directly attributable to the exponential growth of the illicit tobacco trade in South Africa.

“This is an incredibly difficult day for BATSA and for the approximately 230 employees and families who may be affected. These are skilled, dedicated people who have given years of service, who unfortunately are affected by an illicit market that operates outside of the regulatory net.”

A decade of engagement

BATSA has engaged with government and law enforcement authorities over the past decade, consistently raising concerns about the growth of illicit trade and advocating for effective enforcement.

The company points to several policy decisions that have worsened the situation: the unconstitutional 2020 Tobacco Sales Ban, from which the legitimate market has never recovered, and above-inflation excise increases that have widened the price gap between legal and illegal products.

Adding to this is proposed new tobacco legislation currently before Parliament, which, if passed, will exacerbate South Africa’s illicit trade issues. In a presentation to the Portfolio Committee on Health last year, the South African Revenue Service (SARS) stated they believed the proposed legislation would worsen the illicit tobacco trade.

“BATSA has raised these concerns for years, providing data and proposing solutions. While some in government have genuinely tried to help, the overall response hasn’t been enough to protect legitimate businesses and the jobs they create. With the illicit industry’s current size and scale, only a co-ordinated, whole of government response can make a real impact,” said Moloto.

Broader economic impact across the value chain

“We have tried everything to ensure we don’t have to close this facility, which has been a part of the Heidelberg community since 1975, including implementing various efficiency initiatives over the years,” noted Moloto. “But when three-quarters of your market is illicit, there’s a limit to what any company can do. We’ve reached that limit.”

The closure will affect more than just factory employees. The broader Lesedi community including suppliers, logistics providers and contractors all depend on the facility.

Should there be a substantial and sustained trend change in the local illicit trade environment, BAT will re-invest in local production in South Africa, confirmed Moloto.

Cautionary tale as illicit grows across multiple other South African industries

The company believes the decision highlights a broader challenge facing many other industries in and all legitimate manufacturers in South Africa.

“Illicit trade doesn’t just hurt companies – it destroys jobs and communities. And all indicators are that illicit is becoming a significant issue in multiple industries, including alcohol, pharmaceuticals and cosmetics, food, clothing and even toys,” Moloto said.

“If this can happen to a facility that’s been operating for 50 years, it can happen to anyone. We hope this is a reminder that enforcement isn’t just about collecting taxes – it’s about protecting the people who work in legitimate businesses.”

BATSA commenced its formal consultation process today with affected employees and union representatives in accordance with Section 189A of the Labour Relations Act. It expects to conclude this process by end March 2026, with the full closure of the manufacturing facility planned for the end of 2026.

ENDS

Notes to editors:

- Section 189A of the Labour Relations Act requires consultation with affected employees before finalising any retrenchment decisions.
- To be clear, while the decision to close the factory has been made, the impact on individuals’ employment is still to be determined through the legal consultation process.
- The company has operated the Heidelberg facility since 1975.

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