Hard to Swallow? Burger King May Move to Canada

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NEW YORK (AP) — Some Burger King customers are finding it hard to swallow that the home of the Whopper could move to Canada.

Investors seemed to welcome the announcement by Burger King late Sunday that it was in talks to buy Canadian coffee-and-doughnut chain Tim Hortons and create the world's third-largest fast-food restaurant company. The news pushed shares of both companies up more than 20 percent.

But customers were already voicing their discontent with the 60-year-old hamburger chain because of its plans to relocate its corporate headquarters from Miami to Canada in a deal that could lower its taxes. By Monday afternoon, Burger King's Facebook page had more than 1,000 mostly negative comments about the potential deal.

Shawn Simpson, who hadn't heard of the talks until approached by a reporter while he was at a Burger King in New York City on Monday afternoon, said he didn't like the idea of the company paying its taxes to another country.

"For them to take their headquarters and move it across the border is a negative for me," said Simpson, 44, who was ordering a Double Whopper and onion rings. "It's an American brand."

A representative for Burger King, Miguel Piedra, said the comments on Burger King's Facebook page represent a small fraction of the company's more than 7 million followers on the social media site.

Burger King isn't the first company to face fallout over a tax inversion, which is when a company acquires a business in another country, then relocates its headquarters there. Big U.S. companies, including pharmaceutical AbbiVie and Valeant Pharmaceuticals, recently have pursued tax inversions to cut their costs. Earlier this month, Walgreen abandoned plans to pursue a tax inversion after negative publicity about the planned move.

President Barack Obama and Congress have criticized inversions because they mean a loss of tax revenue for the U.S. government.

White House spokesman Josh Earnest wouldn't comment on Burger King's announcement on Monday, but said the president generally believes it's unfair for companies to pursue a tax inversion merely to pay less in taxes. The Obama administration is considering executive steps it could take to de-incentivize inversions.

Unlike many other companies, Burger King's move also has the potential to turn off customers as well, since it's a brand people are so familiar with. It's difficult to gauge whether such fallout would hurt the fast-food chain's business in the U.S.

Some analysts say even if some Burger King customers are initially angered by the move, the feelings could quickly fade since there wouldn't be any significant changes in restaurants as a result of the deal. Besides, many Burger King customers who go to the chain for convenience may not care enough about the move to change their eating habits, said Jonathan Maze, editor of Restaurant Finance Monitor, which tracks the industry.

"It's going to irritate people, but basically it's a paper move," he said.

It's not clear exactly how much a combination with Tim Hortons would reduce Burger King's tax costs. A recent report by KPMG found that total tax costs in Canada are 46.4 percent lower than in the United States.

Both companies cautioned there was no guarantee a deal would happen. But each could benefit from the deal, which they say would create a new holding company with 18,000 restaurants in 100 countries and about $22 billion in sales.

Burger King's stock surged $5.78, or 21 percent, to $32.89 on Monday, while Tim Hortons' stock also rose 21 percent to $76. 33.

A combination with Tim Hortons would give Burger King a stronger position in the fast-growing breakfast and coffee market. Burger King, which has undergone numerous ownership changes since it was founded in 1954, has been slashing costs and increasingly looking for growth overseas under majority owner, 3G Capital, which bought the chain in 2010.

3G Capital, which has offices in Brazil and New York, would own the majority of shares of the new holding company. In the U.S., it has been revamping the menu and marketing. The efforts haven't yielded significant results, however. In its most recent quarter, sales edged up just 0.4 percent at established restaurants in the U.S. and Canada.

For Tim Hortons, an acquisition by Burger King, which has a far larger global footprint, could help the doughnut and coffee chain accelerate its international expansion. Tim Hortons has over 3,630 locations in Canada, 866 in the U.S. and 50 in the Persian Gulf area.

It wouldn't be the first time Tim Horton has paired with a U.S. fast-food chain. Tim Hortons was purchased by Wendy's International Inc. in 1995. In 2006 it completed an initial public offering and was spun off as a separate company.

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