AFC ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 15, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________to __________

Commission file number 000-32369

AFC Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	58-2016606 (IRS Employer Identification No.)
400 Perimeter Center Terrace, Suite 1000 Atlanta, Georgia (Address of principal executive offices)	30346 (Zip code)

(404) 459-4450
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of May 13, 2012 there were 24,353,396 shares of the registrant’s common stock, par value $.01 per share, outstanding.

Table of Contents

AFC ENTERPRISES, INC.
INDEX

	Page
PART 1 FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	
Condensed Consolidated Balance Sheets as of April 15, 2012 and December 25, 2011	2
Condensed Consolidated Statements of Operations and Comprehensive Income for the Sixteen Week Periods Ended April 15, 2012 and April 17, 2011	3
Condensed Consolidated Statement of Changes in Shareholders' Equity for the Sixteen Week Period Ended April 15, 2012	4
Condensed Consolidated Statements of Cash Flows for the Sixteen Week Periods Ended April 15, 2012 and April 17, 2011	5
Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3. Quantitative and Qualitative Disclosures About Market Risk	22
Item 4. Controls and Procedures	23
PART 2 OTHER INFORMATION	
Item 1. Legal Proceedings	24
Item 1A. Risk Factors	24
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 6. Exhibits	25
SIGNATURE	26

EX-10.1
EX-10.2
EX-31.1
EX-31.2
EX-32.1
EX-32.2
EX-101

Table of Contents

Part 1. Financial Information

Item 1. Financial Statements

AFC Enterprises, Inc.

Condensed Consolidated Balance Sheets (unaudited)
(In millions, except share data)

	04/15/12	12/25/11
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22.0	$ 17.6
Accounts and current notes receivable, net	6.8	7.0
Other current assets	2.4	4.8
Advertising cooperative assets, restricted	25.3	18.9
Total current assets	56.5	48.3
Long-term assets:		
Property and equipment, net	27.5	27.4
Goodwill	11.1	11.1
Trademarks and other intangible assets, net	46.3	46.5
Other long-term assets, net	2.1	2.3
Total long-term assets	87.0	87.3
Total assets	$143.5	$135.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3.7	$ 6.1
Other current liabilities	7.5	8.2
Current debt maturities	5.5	5.2
Advertising cooperative liabilities	25.3	18.9
Total current liabilities	42.0	38.4
Long-term liabilities:		
Long-term debt	56.0	58.8
Deferred credits and other long-term liabilities	25.1	24.6
Total long-term liabilities	81.1	83.4
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($.01 par value; 2,500,000 shares authorized; 0 shares issued and outstanding)	—	—
Common stock ($.01 par value; 150,000,000 shares authorized; 24,432,649 and 24,383,274 shares issued and outstanding at April 15, 2012 and December 25, 2011, respectively)	0.2	0.2
Capital in excess of par value	96.0	97.6
Accumulated deficit	(74.9)	(83.2)
Accumulated other comprehensive loss	(0.9)	(0.8)
Total shareholders' equity	20.4	13.8
Total liabilities and shareholders' equity	$143.5	$135.6

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

AFC Enterprises, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (unaudited)
(In millions, except per share data)

	16 Weeks Ended	
	04/15/12	04/17/11
Revenues:		
Sales by company-operated restaurants	$ 19.8	$ 17.6
Franchise revenues	31.7	27.9
Rent and other revenues	1.3	1.3
Total revenues	52.8	46.8
Expenses:		
Restaurant employee, occupancy and other expenses	9.4	8.4
Restaurant food, beverages and packaging	6.6	5.8
Rent and other occupancy expenses	0.9	0.8
General and administrative expenses	20.4	18.5
Depreciation and amortization	1.3	1.3
Other expenses (income), net	—	(0.5)
Total expenses	38.6	34.3
Operating profit	14.2	12.5
Interest expense, net	1.1	1.1
Income before income taxes	13.1	11.4
Income tax expense	4.8	4.2
Net income	$ 8.3	$ 7.2
Earnings per common share, basic:	$ 0.34	$ 0.28
Earnings per common share, diluted:	$ 0.34	$ 0.28
Weighted-average shares outstanding:		
Basic	24.1	25.4
Diluted	24.6	25.8
Comprehensive income	$ 8.2	$ 6.9

See accompanying notes to unaudited condensed consolidated financial statements.

AFC Enterprises, Inc.

Condensed Consolidated Statement of Changes in Shareholders' Equity (unaudited)
(In millions, except share data)

	Common Stock				Accumulated Other Comprehensive	
	Number of Shares	Amount	Capital in Excess of Par	Accumulated Deficit	Loss	Total
Balance at December 25, 2011	24,383,274	$ 0.2	$ 97.6	$ (83.2)	$ (0.8)	$13.8
Net income	—	—	—	8.3	—	8.3
Change in fair value of cash flow hedge, net of income taxes	—	—	—	—	(0.1)	(0.1)
Repurchases and retirement of shares	(196,282)	—	(3.3)	—	—	(3.3)
Issuance of common stock under stock option plan	34,666	—	0.4	—	—	0.4
Issuance of restricted stock awards, net of forfeitures	210,991	—	(0.9)	—	—	(0.9)
Excess tax benefits from stock-based compensation	—	—	0.8	—	—	0.8
Stock-based compensation expense	—	—	1.4	—	—	1.4
Balance at April 15, 2012	24,432,649	$ 0.2	$ 96.0	$ (74.9)	$ (0.9)	$20.4

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

AFC Enterprises, Inc.
Condensed Consolidated Statements of Cash Flows (unaudited)
(In millions)

	16 Weeks Ended	
	04/15/12	04/17/11
Cash flows provided by (used in) operating activities:		
Net income	$ 8.3	$ 7.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1.3	1.3
Asset write-downs	0.1	0.1
Net gain on sale of assets	(0.1)	(0.6)
Deferred income taxes	0.4	0.5
Non-cash interest expense, net	0.1	0.1
Provision for credit losses	(0.1)	—
Excess tax benefits from stock-based compensation	(0.8)	(0.1)
Stock-based compensation expense	1.4	0.7
Change in operating assets and liabilities:		
Accounts receivable	0.3	(0.9)
Other operating assets	3.1	2.1
Accounts payable and other operating liabilities	(3.6)	(3.2)
Net cash provided by operating activities	10.4	7.2
Cash flows provided by (used in) investing activities:		
Capital expenditures	(1.2)	(1.0)
Proceeds from dispositions of property and equipment	—	0.7
Proceeds from notes receivable and other investing activities	—	0.1
Net cash used in investing activities	(1.2)	(0.2)
Cash flows provided by (used in) financing activities:		
Principal payments — 2010 credit facility (term loan)	(2.5)	(1.2)
Share repurchases	(3.3)	(6.5)
Proceeds from exercise of employee stock options	0.4	0.4
Excess tax benefits from stock-based compensation	0.8	0.1
Other financing activities, net	(0.2)	(0.3)
Net cash used in financing activities	(4.8)	(7.5)
Net increase (decrease) in cash and cash equivalents	4.4	(0.5)
Cash and cash equivalents at beginning of year	17.6	15.9
Cash and cash equivalents at end of quarter	$ 22.0	$ 15.4

See accompanying notes to unaudited condensed consolidated financial statements.

AFC Enterprises, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 — Description of Business

AFC Enterprises, Inc. ("AFC" or the "Company") develops, operates and franchises quick-service restaurants under the trade names Popeyes ® Chicken & Biscuits and Popeyes ® Louisiana Kitchen (collectively "Popeyes ® ") in 45 states, the District of Columbia, Puerto Rico, Guam, the Cayman Islands and 26 foreign countries.

Note 2 — Significant Accounting Policies

The Company's significant accounting policies are presented in Note 2 to the Company's consolidated financial statements for the fiscal year ended December 25, 2011, which are contained in the Company's 2011 Annual Report on Form 10-K ("2011 Form 10-K"). The significant accounting policies that are most critical and aid in fully understanding and evaluating the reported financial results include the following:

Basis of Presentation. The accompanying condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information. Accordingly, certain information required by generally accepted accounting principles in the United States ("GAAP") for complete financial statements is not included. The Consolidated Balance Sheet data as of December 25, 2011 that is presented herein was derived from the Company's audited consolidated financial statements for the fiscal year then ended. The condensed consolidated financial statements as of April 15, 2012 have not been audited by the Company's independent registered public accountants, but in the opinion of management, they contain all normal recurring adjustments necessary for a fair statement of the Company's financial condition and results of operations for the interim periods presented. Interim period operating results are not necessarily indicative of the results expected for the full fiscal year. The Company suggests that the accompanying financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the 2011 Form 10-K. Except as disclosed herein, there has been no material change in the information disclosed in the notes to our consolidated financial statements included in the 2011 Form 10-K.

Use of Estimates . The preparation of condensed consolidated financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates affect the disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements. In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820) - Fair Value Measurement* (ASU 2011-04), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. ASU 2011-04 was effective for the Company in the first quarter of fiscal 2012. The measurement provisions of this ASU did not impact our financial statements and all necessary disclosures have been complied with in this Form 10-Q.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU 2011-05). The new guidance requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 was effective for the Company in its first quarter of fiscal 2012 and applied retrospectively. All necessary disclosures have been complied with in this Form 10-Q.

In September 2011, the FASB issued ASU No. 2011-08, *Testing Goodwill for Impairment (Topic 350): Intangibles – Goodwill and Other* (ASU 2011-08) . The amendments are intended to simplify goodwill impairment testing by permitting an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying value before performing the two-step goodwill impairment test that exists currently. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. ASU 2011-08 was effective for the Company in the first quarter of fiscal 2012. The measurement provisions of this ASU did not impact our financial statements and all necessary disclosures have been complied within this Form 10-Q.

AFC Enterprises, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 3 — Other Current Liabilities

(In millions)	04/15/12	12/25/11
Accrued wages, bonuses and severances	$ 2.6	$ 5.0
Accrued income taxes payable	2.3	—
Other	2.6	3.2
Other Current Liabilities	$ 7.5	$ 8.2

Note 4 — Fair Value Measurements

The following table reflects assets and liabilities that are measured at fair value on a recurring basis as of April 15, 2012 and December 25, 2011:

(In millions)	Quoted Prices in Active Markets for Identical Asset or Liability (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Value
April 15, 2012				
Financial Assets				
Cash equivalents	$ 20.7	$ —	$ —	$ 20.7
Restricted cash (advertising cooperative assets)	4.3	—	—	4.3
Total assets at fair value	$ 25.0	$ —	$ —	$ 25.0
Financial Liabilities				
Interest rate swap agreement	$ —	$ 1.4	$ —	$ 1.4
Long term debt and other borrowings	—	60.8	—	60.8
Total liabilities at fair value	$ —	$ 62.2	$ —	$ 62.2
December 25, 2011				
Financial Assets				
Cash equivalents	$ 17.7	$ —	$ —	$ 17.7
Restricted cash (advertising cooperative assets)	4.3	—	—	4.3
Total assets at fair value	$ 22.0	$ —	$ —	$ 22.0
Financial Liabilities				
Interest rate swap agreement	$ —	$ 1.3	$ —	$ 1.3
Long Term debt and other borrowings	—	66.2	—	66.2
Total liabilities at fair value	$ —	$ 67.5	$ —	$ 67.5

There were no transfers among levels within the fair value hierarchy during the sixteen weeks ended April 15, 2012.

At April 15, 2012 and December 25, 2011, the fair value of the Company's current assets and current liabilities approximates carrying value because of the short-term nature of these instruments.

The fair value of our interest rate swap is based on the sum of all future net present value cash flows. The future cash flows are derived based on the terms of our interest rate swap, as well as considering published discount factors, and projected London Interbank Offered Rates ("LIBOR"). The fair values of each of our long-term debt instruments are based on the amount of future cash flows associated with each instrument, discounted using our current borrowing rate for similar debt instruments of comparable maturity.

AFC Enterprises, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 5 — Long-Term Debt

(In millions)	04/15/12	12/25/11
2010 Credit Facility:		
Revolving credit facility	$ 24.0	$ 24.0
Term Loan	33.8	36.3
Capital lease obligations	1.4	1.4
Other notes	2.3	2.3
	61.5	64.0
Less current portion	(5.5)	(5.2)
Long-term debt	$ 56.0	$ 58.8

2010 Credit Facility. On December 23, 2010, the Company entered into a bank credit facility (the "2010 Credit Facility") with a group of lenders consisting of a five year $60.0 million revolving credit facility and $40.0 million term loan.

Under the terms of the revolving credit facility, the Company may obtain other short-term borrowings up to $10.0 million and letters of credit up to $25.0 million. Collectively, these other borrowings and letters of credit may not exceed the amount of unused borrowings under the 2010 Credit Facility. As of April 15, 2012, the Company had $1.0 million of outstanding letters of credit. Availability for short-term borrowings and letters of credit under the revolving credit facility was $35.0 million.

As of April 15, 2012, the Company was in compliance with the financial and other covenants of the 2010 Credit Facility. As of April 15, 2012, the Company's weighted average interest rate for all outstanding indebtedness under the 2010 Credit Facility was 3.9%.

Interest Rate Swap Agreements. On February 22, 2011, the Company entered into new interest rate swap agreements limiting the interest rate exposure on $30.0 million of the term loan debt to a fixed rate of 4.8%. The term of the swap agreements expires March 31, 2015.

The Company's interest rate swap agreements are derivative instruments that are designated as cash flow hedges. The fair value gain or loss on the interest rate swaps is included as a component of the "Accumulated other comprehensive loss" ("AOCL"). The following tables summarize the fair value of the Company's interest rate swap agreements and the effect on the financial statements:

Fair Values of Derivative Instruments

(In millions)

	Derivative Liabilities		
Derivative Instrument	Balance Sheet Location	04/15/12	12/25/11
Interest rate swap agreements	Deferred credits and other long-term liabilities	$ 1.4	$ 1.3

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations
Sixteen Weeks ended April 15, 2012 and April 17, 2011

	Amount of Gain (Loss) Recognized in AOCL (effective portion)	
(In millions)	2012	2011
Interest rate swap agreements	$ (0.1)	$ (0.5)
	$ (0.1)	$ (0.5)

AFC Enterprises, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 6 — Deferred Credits and Other Long-Term Liabilities

(In millions)	04/15/12	12/25/11
Deferred franchise revenues	$ 2.4	$ 2.4
Deferred gains on unit conversions	1.6	1.7
Deferred rentals	6.2	6.1
Above-market rent obligations	2.7	2.7
Deferred income taxes	6.9	6.8
Other	5.3	4.9
Deferred Credits and Other Long-Term Liabilities	$ 25.1	$ 24.6

Note 7 — Comprehensive Income

Comprehensive income is net income plus the change in fair value of the Company's cash flow hedge discussed in Note 5. The following table presents the components of comprehensive income for the sixteen week periods ended April 15, 2012 and April 17, 2011:

	16 Weeks Ended	
(In millions)	04/15/12	04/17/11
Net income	$ 8.3	$ 7.2
Other comprehensive loss:		
Change in fair value of interest rate swap agreements (a)	(0.1)	(0.3)
Comprehensive income	$ 8.2	$ 6.9

(a) Amounts are shown net of income taxes which were insignificant for the sixteen week period ended April 15, 2012 and $0.2 million for the sixteen week period ended April 17, 2011.

Note 8 — Other Expenses (Income), Net

	16 Weeks Ended	
(In millions)	04/15/12	04/17/11
Impairments and disposals of fixed assets	$ 0.1	$ 0.1
Net gain on sale of assets	(0.1)	(0.6)
Other Expenses (Income), Net	$ —	$ (0.5)

Net gain on sale of assets consists primarily of recognition of deferred gains associated with refranchising of company-operated restaurants and gain on the sale of real estate to franchisees and other third parties. During the sixteen weeks ended April 17, 2011, the Company sold two properties to a franchisee for approximately $0.7 million and recognized a gain of $0.5 million.

Note 9 — Commitments and Contingencies

Litigation. The Company is a defendant in various legal proceedings arising in the ordinary course of business, including claims resulting from "slip and fall" accidents, employment-related claims, claims from guests or employees alleging illness, injury or other food quality, health or operational concerns and claims related to franchise matters. The Company establishes reserves to provide for the settlement of such matters when payment is probable and reasonably estimable. The Company's management believes their ultimate resolution will not have a material adverse effect on the Company's financial condition or its results of operations.

Insurance Programs. The Company carries property, general liability, business interruption, crime, directors and officers liability, employment practices liability, environmental and workers' compensation insurance policies which it believes are customary for businesses of its size and type. Pursuant to the terms of their franchise agreements, the Company's franchisees are also required to maintain certain types and levels of insurance coverage, including commercial general liability insurance, workers' compensation insurance, all risk property and automobile insurance.

AFC Enterprises, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

The Company has established reserves with respect to the programs described above based on the estimated total losses the Company will experience. At April 15, 2012, the Company's insurance reserves of approximately $0.3 million were collateralized by letters of credit and/or cash deposits of $1.1 million.

Note 10 — Interest Expense, Net

(In millions)	16 Weeks Ended 04/15/12	04/17/11
Interest on debt	$ 0.8	$ 0.8
Amortization and write-offs of debt issuance costs	0.1	0.1
Other debt related charges	0.2	0.2
Interest Expense, Net	$ 1.1	$ 1.1

Note 11 — Income Taxes

The Company's effective tax rates for the sixteen week periods ended April 15, 2012 and April 17, 2011 were 36.6% and 36.8%, respectively. The effective rates differ from statutory rates due to adjustments to estimated tax reserves and permanent differences.

The amount of unrecognized tax benefits was approximately $2.2 million as of April 15, 2012 and December 25, 2011, of which approximately $0.7 million, if recognized, would affect the effective income tax rate.

The Company files income tax returns in the United States and various state jurisdictions. The U.S. federal tax years 2008 through 2010 are open to audit, with 2009 currently under examination. In general, the state tax years open to audit range from 2007 through 2010.

Note 12 — Components of Earnings Per Common Share Computation

The Company's basic earnings per share calculation is computed based on the weighted-average number of common shares outstanding. Diluted earnings per share calculation is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive common shares include employee stock options, non-vested restricted stock awards and non-vested restricted share units. Performance based awards are included in the average diluted shares outstanding each period if the performance criteria have been met at the end of the respective periods.

Potentially dilutive shares are excluded from the diluted earnings per share computation in periods in which they have an anti-dilutive effect. During the sixteen week period ended April 17, 2011, approximately 0.1 million weighted stock options were not included in the computation of diluted earnings per share.

(In millions)	16 Weeks Ended 04/15/12	04/17/11
Numerator for earnings per share computation:		
Net Income	$ 8.3	$ 7.2
Denominator for basic earnings per share — weighted average shares	24.1	25.4
Effect of dilutive share-based employee and director compensation	0.5	0.4
Denominator for diluted earnings per share	24.6	25.8

Table of Contents

AFC Enterprises, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 13 — Segment Information

Based on its internal reporting and management structure, the Company has determined that it has two reportable segments: franchise operations and company-operated restaurants. The company-operated restaurant segment derives its revenues from the operation of company owned restaurants. The franchise segment consists of domestic and international franchising activities and derives its revenues principally from (1) ongoing royalty payments that are determined based on a percentage of franchisee sales; (2) franchise fees associated with new restaurant openings; (3) development fees associated with the opening of new franchised restaurants in a given market; and (4) rental income associated with properties leased or subleased to franchisees. Operating profit for each reportable segment includes operating results directly allocable to each segment plus a 5% inter-company royalty charge from franchise operations to company-operated restaurants.

	16 Weeks Ended	
	04/15/12	04/17/11
Revenues		
Franchise restaurants(a)	$ 33.0	$ 29.2
Company-operated restaurants	19.8	17.6
	52.8	46.8
Operating profit before unallocated expenses		
Franchise restaurants(b)	13.8	11.6
Company-operated restaurants	1.7	1.7
	15.5	13.3
Less unallocated expenses(c)		
Depreciation and amortization	1.3	1.3
Other expenses (income), net	—	(0.5)
Operating Profit	14.2	12.5
Interest expense, net	1.1	1.1
Income before income taxes	13.1	11.4
Income tax expense	4.8	4.2
Net Income	$ 8.3	$ 7.2
Capital expenditures		
Franchise operations	$ 0.2	$ 0.1
Company-operated restaurants	1.0	0.9
	$ 1.2	$ 1.0

(a) Franchise operations revenues exclude 5% inter-segment royalties.
(b) Includes inter-segment royalties for the quarter of $1.0 million in 2012 and $0.9 million in 2011.
(c) Amounts have not been allocated to reportable segments for performance reporting purposes in accordance with the Company’s method of internal reporting.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis for AFC Enterprises, Inc. ("AFC" or the "Company") should be read in conjunction with our condensed consolidated financial statements included in Part 1, Item 1 of this quarterly report and in conjunction with the Company's Annual Report on Form10-K for the fiscal year ended December 25, 2011 (the "2011 Form 10-K").

Nature of Business

We develop, operate and franchise quick-service restaurants ("QSRs") under the trade names Popeyes ® Chicken & Biscuits and Popeyes ® Louisiana Kitchen (collectively "Popeyes"). The Company operates two business segments: franchise operations and company-operated restaurants.

As of April 15, 2012, we operated and franchised 2,044 Popeyes restaurants in 45 states, the District of Columbia, Puerto Rico, Guam, the Cayman Islands and 26 foreign countries.

Total Operating Restaurants as of:	04/15/12	04/17/11
Domestic:		
Company-Operated	40	38
Franchised	1,589	1,549
International:		
Franchised	415	410
Total	2,044	1,997

Our Business Strategy

The Company continues to strengthen its competitive position in the restaurant industry and quick service restaurant sector by executing its Strategic Plan which is based on the following pillars:

- Build a Distinctive Brand
  - We have achieved positive global same-store sales for 8 consecutive quarters. Guest response to our national media, our appealing promotional offerings and a steady pipeline of innovative new products continue to strengthen Popeyes market share position in the quick-service restaurant industry.
- Run Great Restaurants
  - The transformation of our restaurants into the new Popeyes Louisiana Kitchen image is underway. With approximately 10% of our system now in the new image, the Company's goal is to have 600 restaurants in the new image by the end of 2012. Both speed of service at the drive-thru and overall guest satisfaction continue to be key initiatives. At quarter end, approximately three-quarters of the system attained speed of service below 180 seconds and received "% Delighted" scores of 5 out of 5 in our guest satisfaction survey.
- Grow Restaurant Profits
  - Our intense focus on the profitability of our franchisees is a key differentiator of our brand. Our efforts continue to benefit our system in the form of increasing restaurant profits despite rising costs. Although our restaurants experienced commodity cost inflation of approximately 2.5% in the first quarter, we expect that the combination of top-line sales, cost savings and in-restaurant controls will drive restaurant operating profits higher than last year.
- Accelerate Quality Restaurant Openings
  - The average unit volumes of Popeyes new domestic freestanding restaurants are approximately 40 percent higher than the system average of $1.1 million as a result of enhanced site selection analytics and discipline.
- Develop Servant Leaders
  - Our focus in this new strategic pillar announced at year-end is intended to sustain our track record of solid financial results through a servant leadership culture and a focus on employee engagement.

Management Overview of 2012 Operating Results (First Quarter)

Our first quarter of 2012 results and highlights include the following:

- Reported net income was $8.3 million compared to $7.2 million last year. On a per diluted share basis, reported net income was 21% higher at $0.34 compared to $0.28 last year. Adjusted earnings per diluted share were $0.35 compared to $0.27 in 2011. Adjusted earnings per diluted share is a supplemental non-GAAP measure of performance. See the heading entitled "Management's Use of Non-GAAP Financial Measures."

- Global same-store sales increased 7.4% on top of a 3.9% increase last year. Domestic same-store sales increased 8.1% on top of a 3.9% increase in 2011. International same-store sales increased 2.3% on top of a 4.1% increase last year. Our first quarter two-year same-store sales growth was 12.0% for domestic and 6.4% for international.

- Global system-wide sales increased 11.8% on top of a 6.9% increase last year.

- The Popeyes system opened 26 restaurants and permanently closed 17 restaurants, resulting in 9 net openings compared to 18 net openings last year.

- Operating EBITDA was $16.0 million, at 30.3% of Total revenues, compared to 2011 Operating EBITDA of $13.3 million, at 28.4% of Total revenues. Operating EBITDA is a supplemental non-GAAP measure of performance. See the heading entitled "Management's Use of Non-GAAP Financial Measures."

- The Company's Free cash flow was $9.8 million compared to $8.2 million in 2011. Through the end of the first quarter, the Company used approximately $3.3 million of cash to repurchase 196,282 shares of its common stock under the Company's current share repurchase program. Free cash flow is a supplemental non-GAAP measure of performance. See the heading entitled "Management's Use of Non-GAAP Financial Measures."

A summary of our financial results and key operational metrics is presented below.

	16 Weeks Ended	
(Dollars in millions)	**04/15/12**	**04/17/11**
Sales by company-operated restaurants	$ 19.8	$ 17.6
Franchise revenues (a)	31.7	27.9
Rent and other revenues	1.3	1.3
Total revenues	$ 52.8	$ 46.8
Operating profit	$ 14.2	$ 12.5
Net income	$ 8.3	$ 7.2
Global system-wide sales increase	11.8%	6.9%
Same-store sales increase (b)		
Company-operated restaurant segment	3.9%	6.4%
Domestic franchised restaurants	8.3%	3.8%
Total domestic (company-operated and franchised restaurants)	8.1%	3.9%
International franchised restaurants	2.3%	4.1%
Total global system	7.4%	3.9%
Company-operated restaurants (all domestic)		
Restaurants at beginning of period	40	38
New restaurant openings	—	—
Unit conversions, net	—	—
Permanent closings	—	—
Temporary (closings)/re-openings, net	—	—
Restaurants at the end of first quarter	40	38

Franchised restaurants (domestic and international)		
Restaurants at beginning of period	1,995	1,939
New restaurant openings	26	32
Permanent closings	(17)	(14)
Temporary (closings)/re-openings, net	—	(2)
Restaurants at the end of first quarter	2,004	1,959
Total system restaurants	2,044	1,997

(a) Franchise revenues are principally comprised of royalty payments from franchisees that are based upon franchisee sales. While franchisee sales are not recorded as revenue by the Company, we believe they are important in understanding the Company's financial performance and overall financial health, given the Company's strategic focus on growing its overall business through franchising. For the first quarter of 2012 and 2011, franchisee sales, as reported by our franchisees, were approximately $643.3 million and $575.4 million, respectively.

(b) Same-store sales statistics exclude temporarily and permanently closed restaurants and stores that have been open for less than 65 weeks.

2012 Same-Store Sales — First Quarter

Global same-store sales increased 7.4% on top of a 3.9% increase in 2011, for a two-year growth of 11.3%. Total domestic same-store sales increased 8.1% on top of a 3.9% increase last year. According to independent data, in the first quarter 2012, Popeyes same-store sales outpaced the chicken QSR category for the 16 th consecutive quarter and the QSR category for 3 of the last 5 quarters.

International same-store sales increased 2.3% percent and represented the 9 th consecutive quarter of positive same-store sales. First quarter two-year same-store sales growth was 6.4%.

Looking Forward to the Remainder of 2012

For 2012, the Company now expects global same-store sales growth in the range of 4.0% to 5.0%, compared to previous guidance of 3.0% to 4.0%, as a result of our strong first quarter performance. As a reminder, the Company's same-store sales guidance for 2012 considers the rollover of strong 5.7% same-store sales performance in the fourth quarter of 2011.

Previous guidance regarding company-operated restaurant development was 7 to 9 new restaurants in 2012. The Company now expects that 4 to 6 restaurants will open in the fourth quarter of 2012, and 3 will open in early 2013. Reflected in the Company's revised guidance is a $0.01 reduction to EPS in the current year as a result of this adjusted schedule.

Accordingly, capital expenditures for the year are now expected to be $10 to $12 million, reduced from the Company's previous estimate of $13 to $15 million.

The Company's previous guidance regarding general and administrative expenses was 2.9% to 3.0% of system-wide sales versus 3.1% for 2011. Full year general and administrative expenses are now expected to be approximately 3.0% of system-wide sales as the Company continues to invest in additional new growth initiatives and franchisee support services. As a percentage of system-wide sales, the Company's general and administrative expenses remain among the lowest in the QSR industry.

Adjusted earnings per diluted share are now expected to be in the range of $1.13 to $1.16, compared to previous guidance of $1.09 to $1.13. Our guidance includes approximately $0.01 for the 53rd week in fiscal 2012. Adjusted earnings per diluted share in fiscal 2011 was $0.99.

The Company also reiterates its original guidance on the following items:

- New restaurant openings in the range of 135-155 restaurants, and net restaurant openings in the range of 60-100 vs. 65 net openings in 2011.
- In 2012, the Company plans to repurchase approximately $15.0 million in outstanding shares, compared to $22.3 million of share repurchases in 2011.

  The Company's effective income tax rate in 2012 is expected to be 37-38% compared to 34.6% in 2011.
  - o The Company's 2012 effective tax rate guidance reflects the expiration of Work Opportunity Tax Credits which were received in prior years.

Comparisons of the First Quarter for 2012 and 2011

Sales by Company-Operated Restaurants

Sales by company-operated restaurants were $19.8 million in the first quarter of 2012, an increase of $2.2 million from the first quarter of 2011. The increase was primarily due to a same–store sales increase of 3.9% and 2011 new restaurant openings.

Franchise Revenues

Franchise revenues have three basic components: (1) royalties that are based on a percentage (typically 5%) of franchisee sales; (2) franchise fees associated with new unit openings and renewals; and (3) development fees associated with the agreement pursuant to which a franchisee may develop new restaurants in a given market. Royalties are the largest component of franchise revenues, generally constituting more than 90% of franchise revenues.

Franchise revenues were $31.7 million in the first quarter of 2012, a $3.8 million increase from the first quarter of 2011. The increase was primarily due to an increase in royalty revenue from positive same-store sales and new franchised restaurants.

Company-operated Restaurant Operating Profit

Company-operated restaurant operating profit (“ROP”) was $3.8 million, at 19.2% of sales, compared to $3.4 million, at 19.3% percent of sales, last year. The $0.4 million increase in ROP was primarily due to an increase in same store sales and higher average volumes at new company-operated restaurants. Same-store sales of company-operated restaurants were 3.9% on top of 6.4% in the first quarter of the prior year, for a two-year sales growth of 10.3%. Company-operated restaurant operating profit is a supplemental non-GAAP measure of performance. See the heading entitled “Management’s Use of Non-GAAP Financial Measures.”

General and Administrative Expenses

General and administrative expenses were $20.4 million, or 3.1% of system-wide sales, compared to $18.5 million, or 3.1% of system-wide sales last year.

This increase was primarily attributable to a $0.7 million increase in long-term employee incentive costs, $0.5 million in legal fees related to licensing arrangements, a $0.2 million planned increase in training and restaurant opening support costs, a $0.3 million increase in domestic franchise development expenses and a $0.2 million increase in information technology expenses and other general and administrative expenses, net.

Income Tax Expense

Income tax expense was $4.8 million, at an effective tax rate of 36.6%, compared to an effective tax rate of 36.8% in the prior year. The effective tax rates differ from statutory rates due to tax credits.

Liquidity and Capital Resources

We finance our business activities primarily with:

- cash flows generated from our operating activities, and
- borrowings under our 2010 Credit Facility.

Our franchise model provides diverse and reliable cash flows. Net cash provided by operating activities of the Company was $10.4 million and $7.2 million for the sixteen week periods ended April 15, 2012 and April 17, 2011, respectively. See our condensed consolidated statements of cash flows in Part 1, Item 1 to this quarterly report. Based primarily upon our generation of cash flow from operations, our existing cash reserves (approximately $22.0 million available as of April 15, 2012), and available borrowings under our 2010 Credit Facility (approximately $35.0 million available as of April 15, 2012), we believe that we will have adequate cash flow to meet our anticipated future requirements for working capital, including various contractual obligations and expected capital expenditures.

Our cash flows and available borrowings allow us to pursue our growth strategies. Our priorities in the use of available cash are:

- reinvestment in our core business activities that promote the Company's strategic initiatives,
- repurchase shares of our common stock, and
- reduction of long-term debt.

Our investment in core business activities includes our obligation to maintain our company-operated restaurants and provide marketing plans and operations support to our franchise system.

Under the terms of the Company's 2010 Credit Facility, quarterly principal payments of $1.25 million will be due during 2012, $1.50 million during 2013 and 2014, and $4.50 million during 2015.

Pursuant to the 2010 Credit Facility, the Company is subject to a Total Leverage Ratio requirement of ≤ 2.75 to 1.0 through December 23, 2015. As of April 15, 2012, the Company's Total Leverage Ratio was 1.25 to 1.0. The Total Leverage Ratio is defined as the ratio of the Company's Consolidated Total Indebtedness to Consolidated EBITDA for the four immediately preceding fiscal quarters. Consolidated Total Indebtedness means, as at any date of determination, the aggregate principal amount of Indebtedness of the Company and its Subsidiaries.

The Company repurchased approximately 196,282 shares of our common stock for approximately $3.3 million during the first quarter of 2012. As of April 15, 2012, the remaining value of shares that may be repurchased under the Company's current share repurchase program was approximately $13.4 million. The Company may repurchase and retire its common shares at any time its Total Leverage Ratio is less than 2.00 to 1.

Subsequent to April 15, 2012 through May 23, 2012, the Company used $2.1 million of cash to repurchase and retire 119,621 shares of common stock under the Company's current share repurchase program. For fiscal 2012 through May 23, 2012, the Company has used $5.4 million of cash to repurchase and retire 315,903 shares of its common stock. As of May 23, 2012, the remaining value of shares that may be repurchased under the program is approximately $11.3 million.

Critical Accounting Policies and Significant Estimates

There have been no material changes to the Company's critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the 2011 Form 10-K.

Contractual Obligations

The Company's material contractual obligations are summarized and included in our 2011 Form 10-K. During the sixteen weeks ended April 15, 2012, there have been no material changes outside the ordinary course of business in the contractual obligations specified in the 2011 Form 10-K.

Long-Term Debt

For a discussion of our long-term debt, see Note 5 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report. That note is hereby incorporated by reference into this Item 2. See Note 9 in the 2011 Form 10-K for more information about the Company's long-term debt.

Capital Expenditures

Our capital expenditures consist of new unit construction and development, equipment replacements, the purchase of new equipment, reimaging our company-operated restaurants and investments in information technology hardware and software. Substantially all of our capital expenditures have been financed using cash provided from operating activities and borrowings under our 2010 Credit Facility.

During the sixteen week period ended April 15, 2012, we invested approximately $1.2 million in various capital projects, including approximately $1.0 million in company restaurant reimages and construction, $0.1 million of IT projects and $0.1 million in other capital assets to maintain, replace and extend the lives of company-operated restaurant facilities and equipment.

During the sixteen week period ended April 17, 2011, we invested approximately $1.0 million in various capital projects, including approximately $0.6 million in company restaurant reimages, $0.2 million of IT projects and $0.2 million in other capital assets to maintain, replace and extend the lives of company-operated restaurant facilities and equipment.

Impact of Inflation

The impact of inflation on the cost of food, labor, fuel and energy costs, and other commodities has impacted our operating expenses. To the extent permitted by the competitive environment in which we operate, increased costs are partially recovered through menu price increases coupled with purchasing prices and productivity improvements.

Recently Adopted Accounting Pronouncements

For a discussion of recently adopted accounting pronouncements, see Note 2 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report.

Accounting Pronouncements That We Have Not Yet Adopted

Accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are expected to have an immaterial impact on the financial statements upon adoption.

Management's Use of Non-GAAP Financial Measures

Adjusted earnings per diluted share, Operating EBITDA, Company-operated restaurant operating profit and Free cash flow are supplemental non-GAAP financial measures. The Company uses Adjusted earnings per diluted share, Operating EBITDA, Company-operated restaurant operating profit and Free cash flow in addition to net income, operating profit and cash flows from operating activities, to assess its performance and believes it is important for investors to be able to evaluate the Company using the same measures used by management. The Company believes these measures are important indicators of its operational strength and performance of its business because they provide a link between profitability and operating cash flow. Adjusted earnings per diluted share, Operating EBITDA, Company-operated restaurant operating profit and Free cash flow as calculated by the Company are not necessarily comparable to similarly titled measures reported by other companies. In addition, Adjusted earnings per diluted share, Operating EBITDA, Company- operated restaurant operating profit and Free cash flow: (a) do not represent net income, cash flows from operations or earnings per share as defined by GAAP; (b) are not necessarily indicative of cash available to fund cash flow needs; and (c) should not be considered as an alternative to net income, earnings per share, operating profit, cash flows from operating activities or other financial information determined under GAAP.

Adjusted Earnings per Diluted Share: Calculation and Definition

The Company defines Adjusted earnings for the periods presented as the Company's reported Net income after adjusting for certain non-operating items consisting of (i) other expense (income), net (which for first quarter 2012 includes $0.1 million for impairments and disposals of fixed assets offset by $0.1 million gain on the sale of assets, for first quarter 2011 includes $0.6 million for net gain on sales of assets partially offset by $0.1 million for impairments and disposals of fixed assets and for fiscal 2011 includes $0.8 million in expenses for the global service center relocation and $0.5 million in impairments and disposals of fixed assets, offset by a $0.8 million net gain on the sale of two properties to a franchisee), (ii) for first quarter 2012 approximately $0.5 million in legal fees related to licensing arrangements, (iii) accelerated depreciation in fiscal 2011 related to the Company's relocation to a new global service center, and (iv) the tax effect of these adjustments at the effective statutory rates.

Adjusted Earnings per Diluted Share provides the per share effect of Adjusted earnings on a diluted basis. The following table reconciles on a historical basis first quarter 2012, first quarter 2011, and fiscal year 2011 the Company's Adjusted Earnings per Diluted Share on a consolidated basis to the line on its condensed consolidated statement of operations entitled Net income, which the Company believes is the most directly comparable GAAP measure on its condensed consolidated statement of operations to Adjusted Earnings per Diluted Share.

(in millions, except per share data)	**Q1 2012**	**Q1 2011**	**Fiscal 2011**
Net income	$ 8.3	$ 7.2	$ 24.2
Other expense (income), net	-	(0.5)	0.5
Legal fees related to licensing arrangements	0.5	-	-
Accelerated depreciation related to the Company's relocation to a new Global Service Center	-	-	0.5
Tax effect	(0.2)	0.2	(0.5)
Adjusted earnings	$ 8.6	$ 6.9	$ 24.7
Adjusted earnings per diluted share	$ 0.35	$ 0.27	$ 0.99
Weighted average diluted shares outstanding	24.6	25.8	25.0

Table of Contents

Operating EBITDA: Calculation and Definition

The Company defines “Operating EBITDA” as earnings before interest expense, taxes, depreciation and amortization, other expenses (income), net and legal fees related to licensing arrangements. The following table reconciles on a historical basis for first quarter 2012 and first quarter 2011, the Company’s earnings on a consolidated basis to the line on its condensed consolidated statement of operations entitled “Net income”, which the Company believes is the most directly comparable GAAP measure on its condensed consolidated statement of operations to Operating EBITDA. “Operating EBITDA as a percentage of Total Revenues” is defined as “Operating EBITDA” divided by “Total revenues”.

(dollars in millions)	**Q1 2012**	**Q1 2011**
Net income	$8.3	$7.2
Interest expense, net	1.1	1.1
Income tax expense	4.8	4.2
Depreciation and amortization	1.3	1.3
Other expenses (income), net	-	(0.5)
Legal fees related to licensing arrangements	0.5	-
Operating EBITDA	$16.0	$13.3
Total revenues	$52.8	$46.8
Operating EBITDA as a percentage of Total Revenues	30.3%	28.4%

Company-operated restaurant operating profit: Calculation and Definition

The Company defines “Company-operated restaurant operating profit” as “Sales by company-operated restaurants” minus “Restaurant employee, occupancy and other expenses” minus “Restaurant food, beverages and packaging”. The following table reconciles on a historical basis for first quarter 2012 and first quarter 2011, Company-operated restaurant operating profit to the line item on its consolidated statement of operations entitled “Sales by company-operated restaurants”, which the Company believes is the most directly comparable GAAP measure on its condensed consolidated statement of operations to Company-operated restaurant operating profit. “Company-operated restaurant operating profit as a percentage of sales by company-operated restaurants” is defined as “Company-operated restaurant operating profit” divided by “Sales of company-operated restaurants.”

(dollars in millions)	**Q1 2012**	**Q1 2011**
Sales by company-operated restaurants	$19.8	$17.6
Restaurant employee, occupancy and other expenses	9.4	8.4
Restaurant food, beverages and packaging	6.6	5.8
Company-operated restaurant operating profit	$3.8	$3.4
Company-operated restaurant operating profit as a percentage of sales by company-operated restaurants	19.2%	19.3%

Free Cash Flow: Calculation and Definition

The Company defines “Free Cash Flow” as net income plus depreciation and amortization, plus stock-based compensation expense, minus maintenance capital expenses (which includes: for first quarter 2012 $1.0 million in Company restaurant reimages and construction, $0.1 million of information technology projects and $0.1 million in other capital assets to maintain, replace and extend the lives of Company-operated restaurant facilities and equipment; and for first quarter 2011 $0.6 million in restaurant reimages, $0.2 million of information technology projects and $0.2 million in other capital assets to maintain, replace and extend the lives of Company-operated restaurant facilities and equipment).

The following table reconciles on a historical basis for the first quarter 2012 and first quarter 2011, the Company’s Free Cash Flow on a consolidated basis to the line on its consolidated statement of operations entitled “Net income”, which the Company believes is the most directly comparable GAAP measure on its condensed consolidated statement of operations to Free Cash Flow.

(dollars in millions)	**Q1 2012**	**Q1 2011**
Net Income	$8.3	$7.2
Depreciation and amortization	1.3	1.3
Stock-based compensation expense	1.4	0.7
Maintenance capital expenditures	(1.2)	(1.0)
Free cash flow	$9.8	$8.2

Table of Contents

Forward-Looking Statements

This quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of the federal securities laws. Statements regarding future events and developments and our future performance, as well as management’s current expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. These forward-looking statements are subject to a number of risks and uncertainties. Examples of such statements in this quarterly report on Form 10-Q include discussions regarding the Company’s planned implementation of its strategic plan, projections and expectations regarding same-store sales for fiscal 2012 and beyond, the Company’s ability to improve restaurant level margins, guidance for new restaurant openings and closures, and the Company’s anticipated 2012 and long-term performance, including projections regarding general and administrative expenses, and net earnings per diluted share, and similar statements of belief or expectation regarding future events. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: competition from other restaurant concepts and food retailers, continued disruptions in the financial markets, the loss of franchisees and other business partners, labor shortages or increased labor costs, increased costs of our principal food products, changes in consumer preferences and demographic trends, as well as concerns about health or food quality, instances of avian flu or other food-borne illnesses, general economic conditions, the loss of senior management and the inability to attract and retain additional qualified management personnel, limitations on our business under our 2010 Credit Facility, our ability to comply with the repayment requirements, covenants, tests and restrictions contained in the 2010 Credit Facility, failure of our franchisees, a decline in the number of franchised units, a decline in our ability to franchise new units, slowed expansion into new markets, unexpected and adverse fluctuations in quarterly results, increased government regulation, effects of volatile gasoline prices, supply and delivery shortages or interruptions, currency, economic and political factors that affect our international operations, inadequate protection of our intellectual property and liabilities for environmental contamination and the other risk factors detailed in the Company’s 2011 Annual Report on Form 10-K and other documents we file with the Securities and Exchange Commission. Therefore, you should not place undue reliance on any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Market Risk. We are exposed to market risk from changes in poultry and other commodity prices. Chicken is the principal raw material for our Popeyes operations, constituting approximately 40% of our combined “Restaurant food, beverages and packaging” costs. Food costs are significantly affected by increases in the cost of chicken, which can result from a number of factors, including increases in the cost of corn and soy, disease, declining market supply of fast-food sized chickens and other factors that affect availability. Restaurant food, beverages and packaging costs are further affected by increases in the cost of other commodities including shortening, wheat, gas and utility price fluctuations. Our ability to recover increased costs through higher pricing is limited by the competitive environment in which we operate.

In order to ensure favorable pricing for fresh chicken purchases and to maintain an adequate supply of fresh chicken for the Popeyes system, Supply Management Services, Inc. (a not-for-profit purchasing cooperative of which we are a member) has entered into chicken pricing contracts with chicken suppliers. The contracts, which pertain to a vast majority of our system-wide purchases for Popeyes, are “cost-plus” contracts that utilize prices based upon the cost of feed grains plus certain agreed upon non-feed and processing costs. In order to stabilize pricing for the Popeyes system, Supply Management Services, Inc. has entered into commodity pricing agreements for 2012 for certain commodities including corn and soy, which impact the price of poultry and other food cost.

Instances of food-borne illness or avian flu could adversely affect the price and availability of poultry. In addition to losses associated with higher prices and a lower supply of our food ingredients, instances of food-borne illnesses could result in negative publicity for us and could result in a decline in our sales.

Foreign Currency Exchange Rate Risk. We are exposed to foreign currency exchange rate risk associated with our international franchise operations. Foreign currency exchange rate changes directly impact our revenues and cash flows from these operations. For the sixteen weeks ended April 15, 2012 and April 17, 2011, foreign currency revenues represented approximately 4.8% and 5.2%, respectively, of our total revenues. All other things being equal, for the sixteen weeks ended April 15, 2012, operating profit would have decreased by approximately $0.2 million if all foreign currencies uniformly weakened 10% relative to the U.S. dollar.

As of April 15, 2012, approximately $1.1 million of our accounts receivable were denominated in foreign currencies. Our international franchised operations are in 26 foreign countries with approximately 30% of our revenues from international royalties originating from restaurants in Korea and Canada.

Interest Rate Risk With Respect to our 2010 Credit Facility. We have a market risk exposure to changes in interest rates. Borrowings made pursuant to the 2010 Credit Facility include interest rates that are benchmarked to U.S. and European short-term floating-rate interest rates. As of April 15, 2012, we had outstanding borrowings under our 2010 Credit Facility of $57.8 million.

On February 22, 2011, the Company entered into new interest rate swap agreements limiting the interest rate exposure on $30.0 million of the term loan debt to a fixed rate of 4.8%. The term of the swap agreements expires March 31, 2015.

As of April 15, 2012, the Company’s weighted average interest rate for all outstanding indebtedness under the 2010 Credit Facility, including the effect of the interest rate swap agreements, was approximately 3.9%. The impact on our annual results of operations of a hypothetical one-point interest rate change on the outstanding borrowings under the 2010 Credit Facility would be approximately $0.3 million, taking into account our interest rate swap agreements.

Table of Contents

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures of a registrant designed to ensure that information required to be disclosed by the registrant in the reports that it files or submits under the Securities Exchange Act of 1934 (the “Exchange Act”) are properly recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s (“SEC”) rules and forms. Disclosure controls and procedures include processes to accumulate and evaluate relevant information and communicate such information to a registrant’s management, including its principal executive and financial officers, as appropriate, to allow for timely decisions regarding required disclosures.

(b) CEO and CFO Certifications

Attached as Exhibit 31.1 and 31.2 to this quarterly report are certifications by our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). These certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This portion of our quarterly report describes the results of our controls evaluation referred to in those certifications.

(c) Our Evaluation of AFC’s Disclosure Controls and Procedures

As of the end of the period covered by this report, we evaluated the effectiveness of the design and operation of AFC’s disclosure controls and procedures, as required by Rule 13a-15 of the Exchange Act. This evaluation was carried out under the supervision and with the participation of our management, including our CEO and CFO. Based on the evaluation as of the end of the period covered by this report, our CEO and CFO concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms.

(d) Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the period covered by this report.

(e) Inherent Limitations of Any Control System

We do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. However, the control system has been designed to provide reasonable assurance of the control objectives are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected.

Table of Contents

PART 2. OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of our legal matters, see Note 9 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report. That note is hereby incorporated by reference into this Part 2, Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors presently disclosed in our 2011 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the first quarter of 2012, we repurchased 196,282 of our common shares as scheduled below:

Period	Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of a Publicly Announced Plan	Maximum Value of Shares that May Yet Be Repurchased Under the Plan
Period 1 12/26/11 — 1/22/12	—	$ —	—	$ 16,652,499
Period 2 1/23/12 — 2/19/12	—	$ —	—	$ 16,652,499
Period 3 2/20/12 — 3/18/12	—	$ —	—	$ 16,652,499
Period 4 3/19/12 — 4/15/12	196,282	$ 16.81	196,282	$ 13,352,715
Total	196,282	$ 16.81	196,282	$ 13,352,715

All shares were repurchased pursuant to the Company's share repurchase program previously announced on July 22, 2002.

Item 6. Exhibits

(a) Exhibits

Exhibit 3.1	Articles of Incorporation of AFC Enterprises, Inc., as amended (incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 14, 2002).
Exhibit 3.2	Amended and Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed April 16, 2008).
Exhibit 10.1	Promotion Letter Agreement among Registrant and Ralph Bower
Exhibit 10.2	For of Performance-Based Restricted Stock Unit Grant Certificate
Exhibit 11.1*	Statement Regarding Composition of Per Share Earnings.
Exhibit 31.1	Certification pursuant to Rule 13a — 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification pursuant to Rule 13a — 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101	The following financial information for the Company, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statement of Changes in Shareholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) the Notes to the Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text.

* Data required by FASB authoritative guidance for Earnings per Share, is provided in Note 12 to our condensed consolidated financial statements in Part 1, Item 1 to this quarterly report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AFC Enterprises, Inc.

Date: May 23, 2012

By: /s/ H. Melville Hope, III

H. Melville Hope, III
Chief Financial Officer
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

Exhibit 10.1

February 8, 2012

Ralph Bower
75 Wembley Lane
Atlanta, GA 30342

Dear Ralph:

At Popeyes our core purpose is developing servant leaders who deliver superior results. As a member of the Leadership Team you've played an important role in helping us to build our brand reputation and achieve top tier results all while exhibiting the characteristics of true servant leadership. Your efforts have left an impression in every area of the company. We'd like to show our appreciation and recognize your contributions with the following:

Home Sale/Loss on Sale Assistance

This letter reflects the terms we have agreed upon regarding your house located at 5192 Piazza Place, El Dorado Hills, California 95762 and the continued challenge of selling the house in a depressed real estate market. Based on that issue and with the full understanding that AFC has already satisfied all relocation commitments to you, whether written or verbal (as specified in the letter dated January 27, 2010 from Stan Stout to you), we have agreed to offer you the following assistance related to your selling of the California house:

- A one one-time payment (the "Payment") to be made by AFC to you covering the difference, if any, between: 1) your tax basis in your home at the time of the sale (which you have told us is approximately $839,000 at this time) and 2) the eventual selling price of the house, if that selling price is less than your tax basis. Notwithstanding anything to the contrary herein, the Payment shall not exceed Three Hundred Twenty-Nine Thousand Dollars ($329,000.00).

The Payment is contingent upon the following conditions:

- You must be an employee of AFC at the time of the closing of the sale of your house;
- Delivery to AFC of the final closing document reflecting the terms of the sale transaction;
- Coordination with the closing attorney to provide the exact amount of the Payment received for the loan payoff at closing, with the remainder of the Payment to be made post-closing; and
- Your understanding and agreement that any payment under this letter agreement shall be subject to AFC's right to require repayment in the event you leave the employment of AFC for any reason within thirty-six (36) months of the date of the Payment. The repayment would be prorated based upon the number of months since the Payment was made, with the numerator being the number of months since the Payment was made (rounded down) and the denominator being 36.

This letter supersedes any and all previous written or verbal agreements on this topic, and specifically supersedes and replaces our November 12, 2010, letter regarding this same matter.

One-time Restricted Stock Grant with 3 Year Cliff Vesting

We've also agreed to award you a one-time restricted stock grant with a three year cliff vesting valued at $100,000. This grant has no required performance criteria; however, you must be an employee of AFC at the end of the 3 year vesting period. This award would be made at the same time as the 2012 LTIP grants are made and you must be an employee of the Company at the time of the grant. This grant would be a supplement to your 2012 LTIP grant. Please be aware that since you are a Section 16 officer of the Company, this restricted stock grant, along with the Payment and all other compensation, would have to be publicly reported in the Company's Proxy Statement in the year in which they are actually made.

Title Change/Promotion

Subject to your acceptance to the terms of this letter, the Board of Directors (BOD) has approved your appointment to President, Popeyes Louisiana Kitchen USA. We will announce your promotion the week of March 3, 2012. During this transition, we will work with you to prepare the announcement and confirm any structural changes resulting from this change in your role.

Ralph, thank you again for all you are doing to drive performance and transform our domestic business.

Please sign below indicating your agreement to the terms of this letter.

Sincerely:
/s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Chief Executive Officer
AFC Enterprises, Inc.

Agreed to this 09 day of February, 2012.

/s/ Ralph Bower
Ralph Bower

cc: Sonny Cohen

Exhibit 10.2

AFC ENTERPRISES, INC.

FORM OF
PERFORMANCE-BASED RESTRICTED STOCK UNIT
GRANT CERTIFICATE

Non-transferable

G R A N T T O

____

("Grantee")

by AFC Enterprises, Inc. (the "Company") of restricted stock units (the "Stock Units") representing the right to earn, on a one-for-one basis, shares of the Company's common stock ("Shares"), pursuant to and subject to the provisions of the AFC Enterprises. Inc. 2006 Incentive Plan, as amended (the "Plan"), and to the terms and conditions set forth on the following pages of this award agreement (this "Agreement").

The target number of Shares subject to this award is ___________(the "Target Award"). Depending on the Company's cumulative level of attainment of earnings before (i) interest, (ii) taxes, (ii) depreciation and (iv) amortization ("EBITDA") for the three fiscal-year period beginning ___________and ending ___________, and Grantee's continued employment with the Company or its Affiliates through the third anniversary of the Grant Date, Grantee may earn and vest in between 0% and 200% of the Target Award. The number of earned and vested Shares may also be increased or decreased by 10%, based on the Company's Total Shareholder Return relative to a peer group, in each case subject to the Terms and Conditions of this Agreement and as set forth on Exhibit A .

By accepting this award, Grantee shall be deemed to have agreed to the terms and conditions of this Agreement and the Plan.

IN WITNESS WHEREOF, AFC Enterprises, Inc., acting by and through its duly authorized officers, has caused this Agreement to be executed as of the grant date indicated below (the "Grant Date").

AFC ENTERPRISES, INC.

By: ____
Its: Authorized Officer

Grant Date: ____________________________________

Accepted by Grantee:

____

TERMS AND CONDITIONS

1. Defined Terms . Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan. In addition, and notwithstanding any contrary definition in the Plan, for purposes of this Agreement:

(a) "Performance Period" means the three fiscal-year period beginning on ___________and ending on ___________.

(b) "Vesting Date" is defined in Section 2 of this Agreement.

2. Earning and Vesting of Stock Units . The Stock Units have been credited to a bookkeeping account on behalf of Grantee and do not represent actual Shares of common stock. The Stock Units represent the right to earn and vest in between 0% and 200% of the Target Award, payable in Shares of common stock on the Vesting Date, depending on (i) the Company's level of achievement of a performance goal relating to the Company's cumulative EBITDA for Performance Period in accordance with Exhibit A , and (ii) Grantee's continued employment with the Company or its Affiliates. In addition, the number of Stock Units earned by Employee pursuant to the preceding paragraph may be increased or decreased by 10% if the Company's Total Shareholder Return ("TSR") is in the top or bottom quartile, respectively, relative to the Company's Restaurant Peer Group over the Performance Period (as set forth in Exhibit A , the "TSR Modifier").

As soon as practical following the Performance Period, the Compensation Committee shall determine and certify (i) the Company's level of achievement of the EBITDA goal during the Performance Period, (ii) the TSR Modifier, if any, and (iii) the number of Stock Units that were earned based on such measures.

In the event of a Change of Control that occurs during the Performance Period, Grantee shall be deemed to have earned number of Shares equal to the Target Amount (without any TSR Modifier).

[In the event Grantee's employment is terminated during the Performance Period (i) by the Company without Cause, (ii) due to Grantee's resignation in connection with a Constructive Discharge, or (iii) due to the Company's decision not to renew the Term of Grantee's employment agreement (as such terms are defined in Grantee's employment agreement), Grantee shall be deemed to have earned a pro rata number of Shares equal to the Target Amount (without any TSR Modifier) multiplied by a fraction, the numerator of which is the number of whole months elapsed in the Performance Period prior to the termination of employment and the numerator of which is 36.] [1]

Any Stock Units that are not earned during the Performance Period in accordance with the terms of this Agreement will be forfeited to the Company without further consideration or any act or action by Grantee. Any earned Stock Units will vest and become non-forfeitable in accordance with Exhibit A on the earliest to occur of the following (the "Vesting Date"):

(a) the third anniversary of the Grant Date, provided that Grantee has continued in the employment of the Company, its Affiliates, and/or its Subsidiaries through such date, or

[(b) the termination of Grantee's employment (i) by the Company without Cause, (ii) due to Grantee's resignation in connection with a Constructive Discharge, or (iii) due to the Company's decision not to renew the Term of Grantee's employment agreement (as such terms are defined in Grantee's employment agreement), or] [2]

1 Bracketed language to be included for a Grantee with an employment agreement.

2 Bracketed language to be included for a Grantee with an employment agreement.

(c) the occurrence of a Change of Control, provided Grantee has continued in the employment of the Company, its Affiliates, and/or its Subsidiaries through such date.

If Grantee's employment with the Company or an Affiliate or Subsidiary terminates prior to the Vesting Date for any reason [other than as described above], [3] Grantee shall forfeit all right, title and interest in and to the earned Stock Units as of the date of such termination and the Stock Units will be forfeited to the Company without further consideration or any act or action by Grantee.

3. Conversion to Common Stock . Unless the Stock Units are forfeited prior to the Vesting Date as provided in section 2 above, the Stock Units will be converted on the Vesting Date to actual Shares of common stock. Stock certificates evidencing the conversion of Stock Units into Shares of common stock will be registered on the books of the Company in Grantee's name as of the Vesting Date and delivered to Grantee as soon as practical thereafter.

4. Dividend Equivalents . If and when dividends or other distributions are paid with respect to the common stock while the Stock Units are outstanding, the dollar amount or fair market value of such dividends or distributions with respect to the number of shares of common stock then underlying the Stock Units shall be accumulated in an account for Grantee and distributed to Grantee within 30 days after the Vesting Date for the Stock Units with respect to which they relate. If Grantee forfeits any Stock Units under this Agreement, Grantee shall forfeit the right to receive any accumulated dividend equivalents with respect to such forfeited Stock Units.

5. Restrictions on Transfer and Pledge . No right or interest of Grantee in the Stock Units may be pledged, encumbered, or hypothecated or be made subject to any lien, obligation, or liability of Grantee to any other party other than the Company or an Affiliate or Subsidiary. Except as provided in the Plan, the Stock Units may not be sold, assigned, transferred or otherwise disposed of by Grantee other than by will or the laws of descent and distribution. The designation of a beneficiary shall not constitute a transfer.

6. Limitation of Rights . The Stock Units do not confer to Grantee or Grantee's beneficiary, executors or administrators any rights of a shareholder of the Company unless and until Shares are in fact registered to or on behalf of such person in connection with the Stock Units. Grantee shall not have voting or any other rights as a shareholder of the Company with respect to the Stock Units. Upon conversion of the Stock Units into Shares, Grantee will obtain full voting and other rights as a shareholder of the Company.

7. Continuation of Employment . Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Affiliate or Subsidiary to terminate Grantee's employment at any time, nor confer upon Grantee any right to continue in employment of the Company or any Affiliate or Subsidiary.

8. Payment of Taxes . The Company or any Affiliate or Subsidiary employing Grantee has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the Stock Units. With respect to withholding required upon any taxable event arising as a result of the Stock Units, the employer may

[3] Bracketed language to be included for a Grantee with an employment agreement.

satisfy the tax withholding requirement by withholding Shares having a Fair Market Value as of the date that the amount of tax to be withheld is to be determined as nearly equal as possible to (but no more than) the total minimum statutory tax required to be withheld The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company, and, where applicable, its Affiliates or Subsidiaries will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

9. Restrictions on Issuance of Shares . The granting of Stock Units shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. If at any time the Committee or the Board shall determine in its discretion, that registration, listing or qualification of the Shares underlying the Stock Units upon any securities exchange or similar self-regulatory organization or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the settlement of the Stock Units, the Stock Units will not be converted to Shares in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or the Board.

10. Plan Controls . This Agreement and Grantee’s rights hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to interpret and administer the Plan and this Agreement, and to make all decisions and determinations as it may deem necessary or advisable for the administration thereof, all of which shall be final and binding upon Grantee and the Company. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

11. Relationship to Other Benefits . The Stock Units shall not affect the calculation of benefits under any other compensation plan or program of the Company, except to the extent specifically provided in such other plan or program.

12. Amendment . Subject to the terms of the Plan, this Agreement may be modified or amended by the Committee; provided that no such amendment shall materially and adversely affect the rights of Grantee hereunder without the consent of Grantee. Notwithstanding the foregoing, Grantee hereby expressly agrees to any amendment to the Plan and this Agreement to the extent necessary to comply with applicable law or changes to applicable law (including, but not limited to, Code Section 409A) and related regulations or other guidance and federal securities laws.

13. Successor . All obligations of the Company under the Plan and this Agreement, with respect to the Stock Units, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

14. Severability . The provisions of this Agreement are severable and if any one or more provisions is determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

15. Notice . Except as may be otherwise provided by the Plan or determined by the Committee and communicated to Grantee, notices and communications hereunder must be in writing and shall be deemed sufficiently given if either hand-delivered or if sent by overnight courier, or by postage paid first class mail. Notices shall be deemed received on the date of actual receipt. Notices shall be directed, if to Grantee, at Grantee’s address indicated by the Company’s records or, if to the Company, at the Company’s principal executive office, Attention: General Counsel.

EXHIBIT A

Earning of Stock Units

The Stock Units will be earned, in whole or in part, based on the Company's cumulative EBITDA for the three fiscal-year Performance Period, expressed as a percentage of a target EBITDA goal (the "Target EBITDA Goal").

The Target EBITDA Goal for the Performance Period is $ ___________.

No later than March 15, ___________, the Committee shall determine and certify the number of Stock Units that have been earned for the Performance Period, based on the following table:

EBITDA Performance / Funding Scale

Actual Cumulative EBITDA as a Percentage of Cumulative Target EBITDA Goal	Percentage of Target Award Earned
Less than 95%	0%
95%	50%
96%	60%
97%	70%
98%	80%
99%	90%
100%	100%
101%	110%
102%	120%
103%	130%
104%	140%
105%	150%
106%	160%
107%	170%
108%	180%
109%	190%
110% or greater	200%

Additionally, the number of Stock Units earned based on the cumulative EBITDA Performance/Funding Scale above shall be adjusted if the Company's Total Shareholder Return ("TSR") is in the top or bottom quartile relative to the Company's Restaurant Peer Group over the Performance Period, as follows:

TSR Modifier

Company's TSR Percentile Ranking Relative to Restaurant Peer Group	Adjustment Factor
25% or Less	-10%
26% - 75%	0%
Greater than 75%	+10%

For purposes of this Grant Certificate, TSR means (i) increase in stock price over the Performance Period plus reinvested dividends, divided by (ii) stock price at the beginning of the Performance Period.

For purposes of this Grant Certificate, the Company's Restaurant Peer Group shall consist of the following companies:

[PEER GROUP]

If the common stock of any company in the Restaurant Peer Group ceases to be publicly traded at any time during the Performance Period, such company shall be disregarded and deleted from the Restaurant Peer Group for the entire Performance Period.

Any Stock Units that are earned for the Performance Period, as certified by the Committee, shall be subject to forfeiture in accordance with the terms of the Award Agreement, depending upon Grantee's continued employment until the Vesting Date.

Notwithstanding any of the foregoing, if a Change in Control occurs during the Performance Period, Stock Units shall be deemed to have been earned in an amount equal to 100% of the Target Award (without any adjustment for the TSR Modifier).

[In addition, notwithstanding any of the foregoing, in the event Grantee's employment is terminated during the Performance Period (i) by the Company without Cause, (ii) due to Grantee's resignation in connection with a Constructive Discharge, or (iii) due to the Company's decision not to renew the Term of Grantee's employment agreement (as such terms are defined in Grantee's employment agreement), Grantee shall be deemed to have earned a pro rata number of Shares equal to the Target Amount (without any adjustment for the TSR Modifier) multiplied by a fraction, the numerator of which is the number of whole months elapsed in the Performance Period prior to the termination of employment and the numerator of which is 36.] [4]

[4] Bracketed language to be included for a Grantee with an employment agreement.

CERTIFICATION

I, Cheryl A. Bachelder certify that:

1. I have reviewed this quarterly report on Form 10-Q of AFC Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 23, 2012

/s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, H. Melville Hope, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AFC Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 23, 2012

/s/ H. Melville Hope, III
H. Melville Hope, III
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE

SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of AFC Enterprises, Inc. (the “Corporation”) for the period ended April 15, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Chief Executive Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: May 23, 2012

/s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE

SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of AFC Enterprises, Inc. (the “Corporation”) for the period ended April 15, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Chief Financial Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: May 23, 2012

/s/ H. Melville Hope, III
H. Melville Hope, III
Chief Financial Officer
(Principal Financial and Accounting Officer)