



ALAN HOWELL | MBJ

Doug Southard, left, Owen Johnson and David Harris, background, review bank valuations at Southard Financial's offices.

# Southard gets it at both ends

## Banking boom, bust benefits Memphis valuation firm

BY CHRISTOPHER SHEFFIELD

Southard Financial has good reason to feel bullish about its future with total revenues more than tripling in the last five years to \$2.6 million and a client base that continues to expand nationally.

The 21-year-old business valuation, investment banking and financial advisory firm has found its legs, says Doug Southard, founder and principal of the firm.

"Our valuation business has grown continually every year," he says. "We're doing business in 40 states a year."

Last year, Southard did just north of 350 valuations, with half of them for the banking industry. That's expected to grow at a 10%-15% clip in 2008 over 2007, Southard says.

Non-bank clients are significant in its Memphis business interests, Southard says. His firm has done work for 44 on

*Memphis Business Journal's* list of Top 100 Private Companies.

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Jim Pentecost, president of Power & Telephone Supply Co., has worked with Southard since its earliest days when Southard did valuations for the company's Employee Stock Ownership Plan.

Pentecost says he regularly consults with Southard.

"If I have some crazy idea I run it by him," he says.

Southard's oldest and largest single base of business comes from banking clients. It provides valuations and financial advisory services for companies doing stock offerings, converting to S corporations or for ESOPs and 401(k)s.

The majority of those, 45-50 clients, are in four states — Arkansas, Georgia, Mississippi and Tennessee — including six in Memphis and 12 in metro Atlanta, says David Harris, a Southard principal.

That's significant growth from Southard's early days in the late 1980s when it first began doing bank valuation work for the accounting firm Pannell Kerr Forster. Southard Financial got the work from Pannell because of the experience Southard and partners such as Harris had gained working at Memphis-based Mercer Capital Management, Inc. Then they were doing 10-15 banks a year, Southard says.

One factor contributing to Southard's recent growth was the explosive activity in the banking sector five years ago in terms of mergers and acquisitions and new start-ups. Both

areas generated more valuations and financial advisory work, Harris says.

Now what's hurting drive growth has been the downturn in the banking industry. Boards want an accounting of a bank's value in these tough times, Southard says.

"They are nervous," he says, noting it can be especially touchy for start-ups.

"It's a challenging time for those who de novoed three, four, five years ago," he says.

When those banks started, there were plenty of investors wanting to put money in banks. Southard benefited from that.

"We're at the other end of that cycle right now," he says.

Southard capitalized on investor opportunities by branching into investment banking. Three years ago it hired Owen Johnson, a former partner at accounting firm Rhea & Ivy PLC

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and senior vice president at Mercer Capital, to do traditional valuation business and investment banking.

In 2007, investment banking generated \$1.2 million in revenues for Southard Financial, up from nothing five years ago, Southard says. Most deals are in the \$10 million-\$20 million range. 2008 is expected to be significantly slower, he says.

While Southard has been a largely quiet player in the industry, and growth almost exclusively through referrals, that's about to change, Southard says, with more effort and expenditures on marketing and public relations. But at the core will still be Southard's long-held belief in what really drives growth.

"If we do really good work at a fair price and keep them happy, we'll grow," he says.