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Inside the corporate finance engine of Houlihan Lokey

Jay Novak and Larry DeAngelo on mergers and acquisitions in the world of Trump 2.0

by **Michael Klimes**

In finance the words "boutique bank" camouflage the size, range of services and geographical coverage that certain institutions offer. This is true of Houlihan Lokey, which is one of the largest of that cohort with a market capitalisation of just under $11bn and being listed on the New York Stock Exchange.

Larry DeAngelo and Jay Novak are the global co-heads of its corporate finance division, which accounts for 60 per cent of the company's revenue. They are the rainmakers for the bank, with the other two arms — financial restructuring, and financial and valuation advisory — making up the remaining 25 and 15 per cent of revenues, respectively.

Houlihan Lokey has a strong record in mergers and acquisitions with a focus on private deals. The transaction size within corporate finance can range from as low as $150mn to upwards of $2bn.

"The rivals we compete with on a daily basis are vast, so we go up against Goldman Sachs, Baird and Piper Sandler," says Novak.

"What differentiates us from our peers is the depth of expertise combined with a level of global coverage that you would expect from a big institution that feels a lot smaller."

Career history: Jay Novak

- 2024—: Global co-head of corporate finance, Houlihan Lokey
- 1996-2024: Managing director, global head of consumer,food and retail group, Houlihan Lokey
- 1994-1996: Royal Bank of Canada
- 1992-1994: ING Bank
- 1989-1991: Kidder Peabody & Co

Novak and DeAngelo have 1,100 bankers under their direction in 36 offices across the world that work within the corporate finance practice.

According to Novak "this is the largest" group of its kind with high concentrations of bankers in New York, Los Angeles and Chicago. London is the second-largest office, while the group has 100 bankers in Japan.

All of these dealmakers are split across 12 industry groups where they work in specialist areas regardless of geography.

"There are peers of ours where the first question that someone asks when there's a cross-border deal is: 'how do the splits work between one office versus the other?'" says Novak.


Jay Novak (left) and Larry DeAngelo oversee Houlihan Lokey's 1,100-strong corporate finance team © Houlihan Lokey/FT

"Those are never conversations for us because each industry group is run by a couple of global co-heads and that really allows us to give clients much better service."

This contrasts with other banks where teams are more likely to be split based on location and are more generalist in the sectors they cover.

"So our competitors might have 20 people who cover an industry like consumer but our staff at Houlihan Lokey look at something within that like leisure or retail more narrowly," says DeAngelo.

Ultimately this structure enables all the industry groups to be nimble and work seamlessly across borders in a way that avoids siloes.

One needs to be nimble in today's world given constant uncertainty, the most recent culprit being US President Donald Trump's tariff policies

Wait and see

Many on Wall Street were ready and expected activity levels to pick up after Trump was elected, but that expectation has gone unmet. Like everyone else, Novak and DeAngelo are trying to understand what the implications of Trump's tariffs are for dealmaking.

"I like to use the analogy of a shipyard where we've built a lot of ships that are ready to float into the ocean, and it's just a question of when those companies decide they're ready to launch it," says Novak.

Career history: Larry DeAngelo

- 2024—: Global co-head of corporate finance, HoulihanLokey
- 2016-2024: Managing director, head of business services group, Houlihan Lokey
- 2010-2016: Managing director, SunTrust Robinson Humphrey
- 2005-2010: Managing director, Roark Capital Group
- 2002-2005: Managing director, Peachtree Equity Partners

He adds the uncertainty of what the tariffs mean is causing sectors to delay transactions across the board, and that story will continue to evolve.

"When you combine the tariff activity with some of the domestic cost cutting in the size of government that we're dealing with in the United States, it certainly adds a different dimension to what's going on," Novak continues.

Working out the fine detail of how a specific tariff influences a particular client and the advice they should be given is hard work and labour intensive.

"Everyone would like to see whatever is going to happen to move faster, and have some element of finality, which may or may not happen in the near term," Novak says.

Resilient model

Fortunately for Houlihan Lokey, its business model offers a certain degree of insulation from the economic headwinds. It sells a lot of businesses for entrepreneurs, family owners and private equity in more middle market transactions.

"We don't really have the volatility that some of our larger competitors might have, where big public companies get inspected by the Department of Justice if they are a certain size," says DeAngelo.

"We did around 430 deals last year and so it's been a little bit easier for us with steady growth as we haven't had the change as much to the upside or the downside."

Two types of transactions that have always offered steady work are family-owned businesses that require succession planning and deals that are strategic to their sectors.

This demonstrates the virtue of being a bank with close ties to private companies where you need intimate knowledge to understand which transactions involve sensitive family politics or are strategic for the wider industry.

DeAngelo observes that as the market stabilises, activity for Houlihan's deals will pick back up, but there is no question they will have to wait until that happens.

"Private equity firms are less likely to transact and entrepreneurs are less likely to sell their business as they've built these things up over extended periods of time in a volatile period," he says.

One source of strength for Houlihan are its industry conferences which started 20 years ago. They quickly acquired a reputation for being a great venue to match companies, investors and private equity capital.

These became a marketplace where many companies that presented were then sold and became the bank's clients. Last year Houlihan decided to bring these events together into three large regional conferences taking place in Tokyo, New York and London. These are flagship events with thousands of delegates attending.

"We are trying to bring the best companies to these events and give them access to the best investors in those sectors," DeAngelo says.

Banking lessons

To survive the demands of banking, it helps to have a rigorous start at a respected bank. Novak and DeAngelo both started their careers at the highly respected, but no longer extant Kidder Peabody.

They say it was a formidable proving ground for a lot of strong technical bankers who went on to be high achievers on Wall Street. When Novak and DeAngelo were employees, the investment bank was ranked fifth in both M&A and equity underwriting, says DeAngelo.

"I worked in at least four different industries and did all sorts of transactions that really helped me develop the skill set and opportunity to pursue different things early on," he says.

He recommends young bankers do not get fixated on which deals they work and instead look to get as much experience as possible.

"Sometimes younger bankers feel 'I need to do this part of technology banking, or this part of healthcare banking' and we would both argue to get as much deal variety as you can to learn the mechanics of transactions," DeAngelo continues.

Another pitfall to avoid is being concerned about publicity rather than the actual job. "Some people feel they need to read about their deals in the Wall Street Journal," Novak says.

"I can honestly say in my career, I probably have only had one transaction that was mentioned on the front page of the Wall Street Journal; that's out of a universe of several hundred transactions.

"But this is not important, it's about getting activity, understanding how a deal works and becoming an expert in the space that you cover, which is where you really add value."