NRC Group: 75% Upside Cleaning Up World's Mess Via HCAC Merger

- HCAC is set to merge with NRC Group in what appears to be one of the most compelling SPACs of 2018. The transaction is backstopped and should close in October.
- We believe there is potential for 75% upside to shares over the next 6-12 months based on management's story and guidance - a story our checks suggest is excessively conservatism.
- We believe multiple factors drive upside to guidance and further enhance shareholder returns.
- Based on our analysis, there are highly aligned insider incentives, and industry checks suggest sustainable competitive advantages.
- Exceptional customer retention, high recurring revenue, strong margins coupled with substantial incremental margins, low cap-ex, meaningful barriers to entry and a low valuation make shares extremely attractive.

When we think about investment ideas which "hit us over the head immediately", as Mohnish Pabrai says, NRC Group stands out as such an investment idea. As a company going public via a SPAC with Hennessy Capital Acquisition Corp (HCAC), with a pro forma market cap of ~$378mm, we think the company is on few investors' radar screens. **We believe that based on management guidance, shares offer 75% upside over coming quarters, and the ability to compound further in years to come, using fairly conservative assumptions. However, we believe management is being conservative and further upside exists. We are confidence shareholders will be rewarded in what should be one of the exciting SPAC opportunities of 2018.**

Our research includes checks with multiple sell-side analysts, conversations with industry players and company Board Members, and a detailed review of both iterations of the 400+ pages company deal proxies.

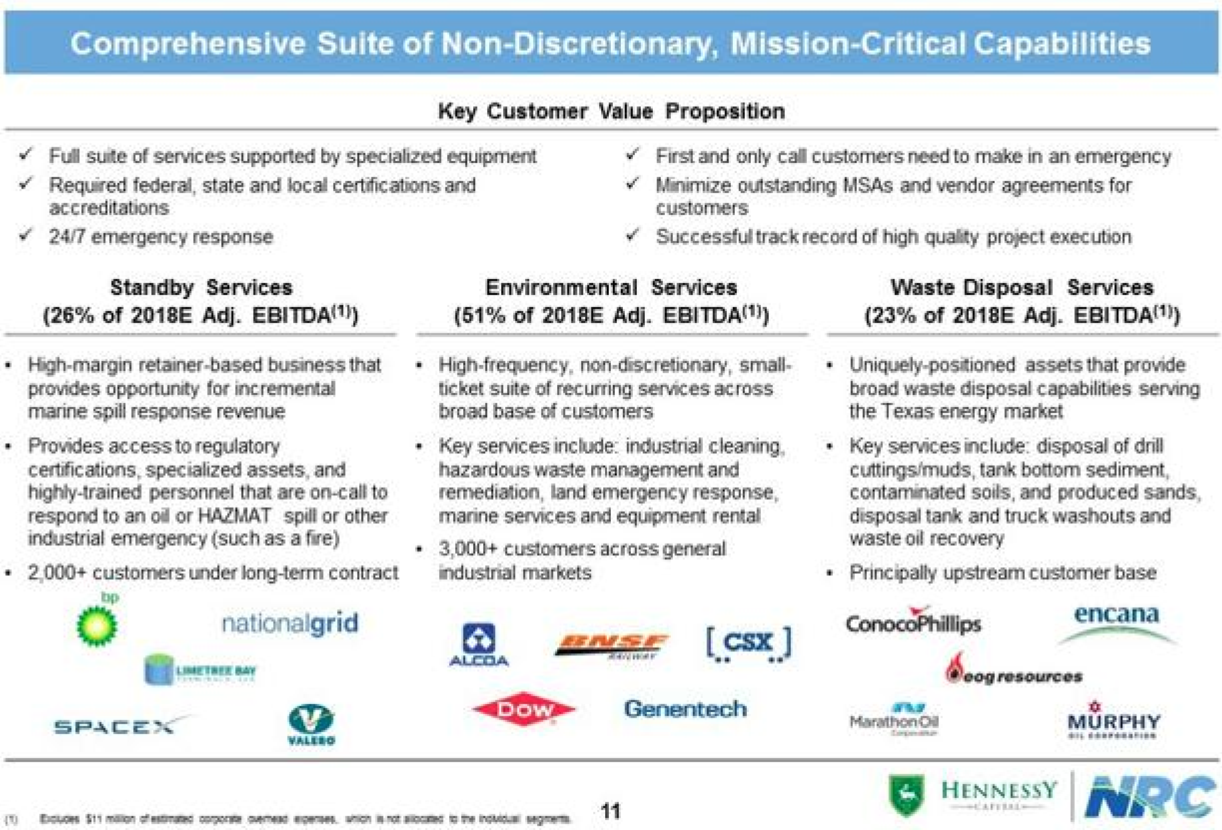
NRC has multiple qualities that make it a compelling investment:

- High retention and recurring revenues across a broad array (thousands) of customers for a wide swath of services.
- Limited competition/strong moats and high barriers to entry.
- Long standing customer relationships.
- Strong and increasing margins with a significant incremental margin profile.
- Current and foreseeable faster than industry growth.
- Low capital intensity.
- Solves industry challenges that are likely to intensify in coming years.

- Participation in a fragmented industry with numerous acquisition targets that NRC knows well, and can acquire at a dramatic discount to public company multiples.
- An excellent track record of integrating acquisitions with and experienced and motivated management team.
- Potential to accelerate growth in 2019 and beyond to recently increased capabilities and scale.
- History of business stability through economic and commodity cycles.
- A company unknown by almost all institutional investors, but likely to garner sell-side support in the relatively short-term.
- Likely meaningful stock purchases by NRC's current owner in one of its latter funds.
- Estimates that appear unduly conservative.
- **A severe valuation discount versus peers that should close in the short-term with the potential for the long-term compounding.**

Summary and Investment Overview:

NRC Group is a global provider of comprehensive environmental, compliance and waste management services.



Source: NRC Group June 2018 Investor Presentation, Pg. 11

In particular, as NRC Group is the only comprehensive provider of non-discretionary, government-mandated services. It is projected to attain 2017-2019E revenue and EBITDA CAGRs of 11% and 29%, respectively, as compared to the average growth of peers of 5% and 8%, respectively. At the same time NRC is guiding EBITDA margin of 23% (which doesn't capture likely future significant margin expansion due to high operating leverage), and 2018E free cash flow conversion[1] of 80% which compares to peer margins of ~26% and free cash flow conversion of ~62%. Free cash flow conversion here is defined by management to be (EBITDA – maintenance cap-ex), and is consistent with the calculations of conversion rates of competitors (i.e. apples to apples basis) provided in our analysis and management's discussion of peers. Clearly, this business seems to have high profitability and a strong growth profile.

Yet, when we look at its valuation multiples relative to peers, NRC Group trades at only 8.7x EV/2018E Adjusted EBITDA, while its comparables trade at ~10.1x to 16.0x, with a mean of 12.6x and a median of 11.7x. These discounts are even more dramatic based on 2019 forecasts or on an EV to free cash flow basis. This discrepancy between fundamental business performance and valuation strikes us as unwarranted, especially given the superior moats and highly recurring cash flow profile of this business which we will discuss later. Even after assessing the quality of NRC Group's business model and stress testing it in the recession and in the oil price crisis periods, we found NRC Group's business model to be extremely resilient. We think that this model, combined with favorable SPAC dynamics, as well as the notion that the private equity seller, JF Lehman, intends to buy into the stock for its next fund - **a fact buried in the appendix of the proxy (see Proxy Annex A-5 and A-64 for additional discussion of the "JFL Subscription Agreement) -** make this investment particularly attractive.

We have spoken to multiple sell-side analysts who cover the sector, and they validate management's claim that the company is well positioned to benefit from its industry position. Moreover, they concur with our view, and management's contention, that the company's broad service offering (including its recent SWS acquisition) should allow for increased cross-selling and customer "wallet share" that does not appear to us fully baked into management's public forecasts. Our conversations with management and Board Members suggest that the company is profoundly aware, that particularly as a SPAC, beating and exceeding expectations is of paramount importance in garnering a strong institutional following.

We believe there is potential for 75% upside to shares within several quarters if the company executes we expect, with potential for additional upside to share prices if company forecasts, as currently outlined, prove conservative.

A brief caveat, before we delve deeper into the investment case. While HCAC appears to trade by appointment, over the next several weeks, as the company goes through its de-SPACing (1st two weeks of October and meets with dozens of accounts) millions of shares are likely to trade, we believe that over 20 million shares could likely *currently* be purchased through Stifel (they appear to be running the de-SPACing process) or block traders from non-fundamental holders, without moving the price more than a couple of dimes at most. We believe the opportunity to build substantial positions exists today, but won't persist after these first large blocks are cleared.

For anyone looking for a brief company overview, including background, customers, acquisitions, etc., the investment presentation is here.

There are several factors that drive our optimism. Some of these factors are in management's presentations, however we believe the company has largely given guidance that is conservative. If they merely do what they say they are going to do, we think the stock has meaningful upside, however if their results reflect our checks, not to mention historic business trends, results could prove far better than outlined.:

1. As the only national commercial Oil Spill Response Organization (OSRO), that also has waste disposal landfill strategically located in the core of Eagle Ford Shale Basin, NRC Group has strong barriers to entry across its standby services and waste disposal platforms, exhibiting EBITDA margins of 45-50% and 60-65% respectively. This is further supported by NRC Group's 99% annual customer retention rate and an average customer tenure of over 12 years in the standby business segment. **To be clear, the standby services business almost sounds like a too good to be true business, but our checks with industry experts corroborate management's claims regarding business stickiness and lack of competition in OSRO.** We have also discussed this matter with PIPE investors who concur with this view.
2. Strong organic base case growth through expanding waste disposal facilities in the Permian Basin. Management has 3 new waste disposal facilities coming online through early 2020 (2 slated for 2019), although our checks suggest they may all be online prior to the end of 2019, generating additional upside to next years numbers.
3. Recent geographic expansion in Mexico has historically yielded a 100% win rate, although management is conservatively guiding only a 25% going forward, with additional cross-selling opportunities across the newly integrated platform. **We believe this is management simply setting the bar very low. When challenged as to why 25% is realistic, management did not provide us with a satisfactory answer. Our take is that they are being ultra-conservative and upside is likely. Moreover, in coming years, there should be additional growth opportunities in other Latin American geographies.** Coupled with high operating leverage especially in the standby services segment, standby services incremental long-term EBITDA margins should approach 80-85%, while free cash flow conversion of the business should increase from mid-70% to ~85% by 2019.
4. Importantly, NRC offers significant downside protection. Even through the 2008 financial recession and the 2014 oil crisis periods, NRC Group was able to exhibit stable and consistent performance given the non-discretionary nature of its products and diversified customer base. Running the most draconian situation, similar to the oil price crisis, through our projected period, still yields an upside of 1.3% as we illustrate below.

Notably, our investment recommendation rests only on thesis laid out above, which we believe are too conservative to begin with, without factoring in additional upside from the available pipeline of bolt-on acquisitions, one-time emergency events (i.e. hurricanes, oil spills), more aggressive expansion in Mexico, and additional incremental revenue from tolling & GRS, all of which provides an even greater asymmetric risk-reward opportunity.

Business Overview

NRC Group operates in three business categories:

Standby services – NRC Group is the only global provider of commercial standby oil spill compliance and emergency response services, or "standby services" in the United States and internationally (MSRC is only provides standby services domestically). NRC Group's standby services customers pay annual retainer fees under long-term or evergreen contracts for access to regulatory certification, specialized assets and highly trained personnel who are on call 24/7 to respond to an oil spill or other hazardous materials emergency response events. Standby services represents ~26% of 2018E consolidated adjusted EBITDA. An excellent analogy for understanding standby services is the insurance industry. In this case, NRC is receiving annual premiums for being available for remediation, however, when catastrophic events occur, unlike insurance which absorbs costs or reimburses expenses, NRC receives additional fees for providing its services. **As we discuss below, NRC has not raised standby service prices in years (in some cases decades), a point management does NOT highlight in any of its presentations or filings, but about which we inquired, and they noted is an area of potential future upside with essentially 100% margin fall-through**

Environmental services – NRC Group provides environmental and industrial services to energy, engineering and construction, environmental, health care, industrial, maritime, railroad and other customers. Services include industrial cleaning, hazardous waste management, waste transportation and disposal, pipeline remain, site remediation services, etc. As these services are non-discretionary, customers' utilization of NRC for routine maintenance services result in a high-frequency, small-ticket ($10,000-$20,000) suite of predictable and recurring services across a broad range of customers. Environmental services represents ~51% of 2018E consolidated adjusted EBITDA. While an environmental service customer may not use NRC in a given year, that reflects a lack of need at a given time, and not a loss of the customer. **Management does not point this out in its filings, but based on our conversations with the company,** it appears that they've never lost a major customer in this segment, they sometimes simply haven't business, because for that time period there was no business.

Waste disposal services – NRC's waste disposal services serve a principally upstream customer base. The Company owns and operates a Railroad Commission of Texas-permitted landfill facility that is designed specifically for oil and gas waste streams. This facility started in July 2016, and has processed more than 50,000 loads with ~20 active blue-chip customers. Waste disposal services represents ~23% of 2018E consolidated adjusted EBITDA, and should grow significantly in 2019 given several recent permits with new landfills set to be up and running. **Based on our conversations with the company it appears that there are no permits in nearby locations that threaten the successful ramp of their 3 new facilities scheduled to come on line (2 in 2019 and 1 in 2020, although we believe 2020 may launch earlier).**

Contents:

3. 3 Basic Questions
4. SPAC Deal Dynamics
5. Quality of Management
6. Discussion of Model and Valuation Analysis
7. Risks
8. Conclusion

Industry Background:

Regulatory History: In the United States, hazardous waste is regulated under the Resource Conservation and Recovery Act of 1976 (‘RCRA”) which created a comprehensive system governing covered hazardous waste from the point of generation to ultimate disposal. Generally, entities that treat, store or dispose of hazardous waste must obtain a permit from the U.S. Environmental Protection Agency (“EPA”) or from a state agency to which the EPA has delegated such authority. The diagram below shows a brief history of general waste management regulations:

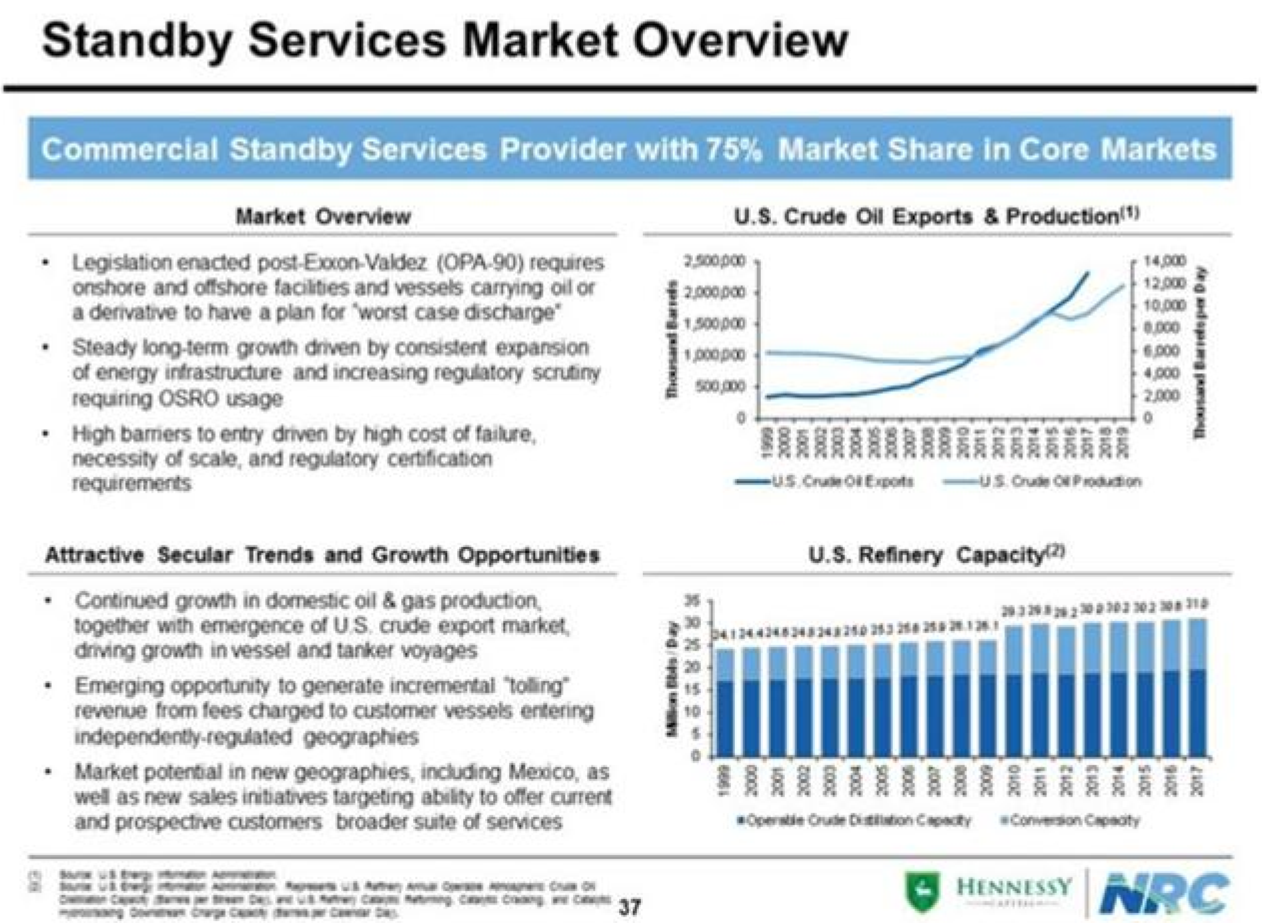
Source: HCAC PRER14A, Pg. 162

In short, for NRC and its competitors, the OPA-90 is a regulatory framework for the protection of the environment from oil spills. Enacted by Congress in 1990 after the Exxon Valdez tanker oil spill in Alaska, OPA-90 imposes obligations on operators of tank and non-tank vessels, chemical carriers and owner of facilities, such as refineries, pipelines, E&P platforms, power plants, storage tanks and transportation terminals, and requires them to have a USCG compliant spill response plan. ***There has been a trend since 1990 towards tightening OPA-90 regulations***, which is very favorable for NRC Group. ***For instance, in 2004, the Congress amended OPA to require all vessels over 400 gross tons to prepare and submit a vessel response plan. Following that in 2013, regulations for non-tank vessels were further tightened, and OPA-90 compliance now requires that non-tank vessel operators contact directly with an OSRO.***

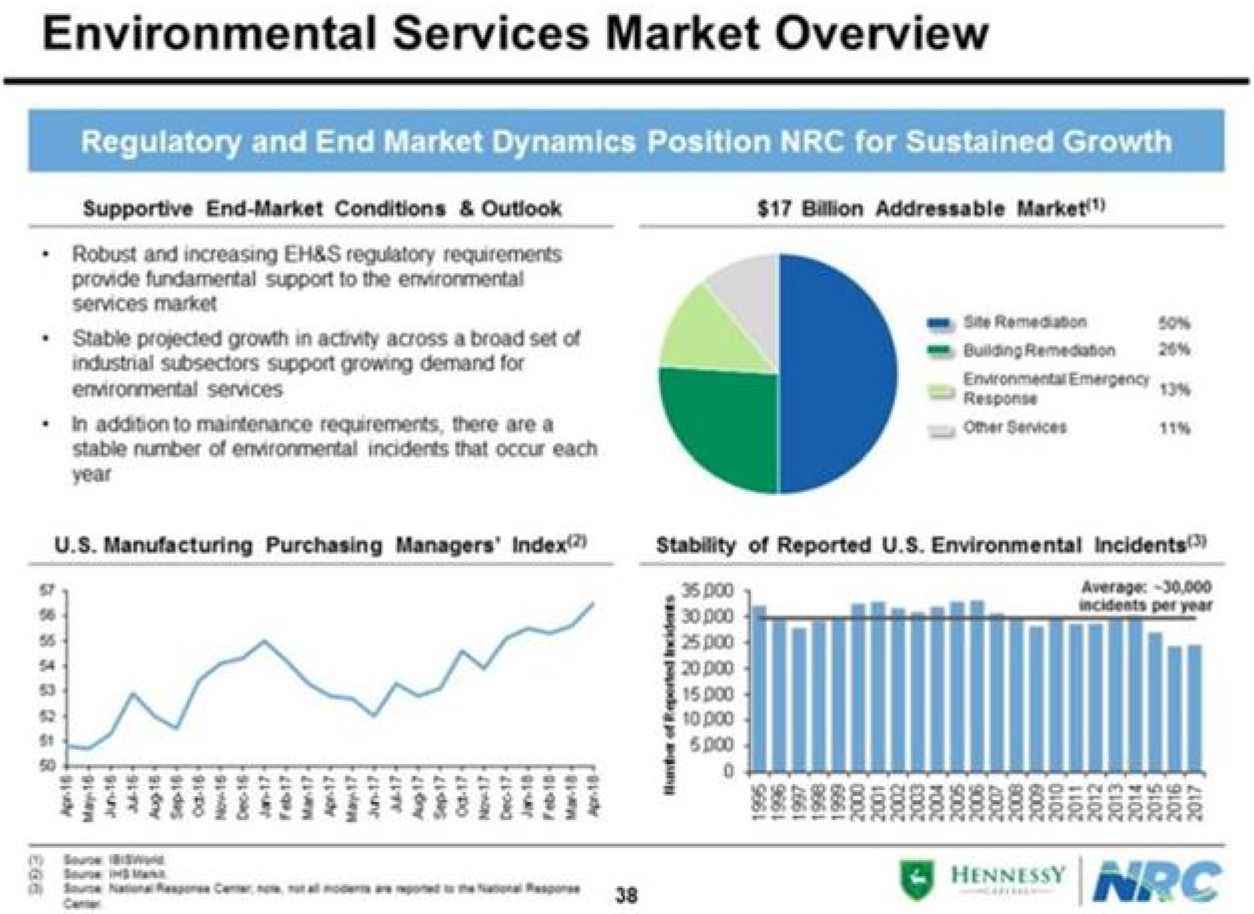
Industry Landscape: Historically, the industry has been characterized by significant fragmentation, high competition and smaller providers. For example, NRC Group is the only comprehensive provider offering non-discretionary environmental and regulatory compliance services on a global scale, with the majority of the industry consisting of over 3,000 smaller local and regional firms (i.e. US only). NRC Group’s comprehensive offerings include Standby

Services, which it is the only commercial OSRO provider (MSRC in a not-for-profit provider), as well as Environmental Services and Waste of Disposal Services, both of which NRC Group is one of the few dominant players in. **Moreover, our conversations with multiple sell-side analysts suggests trends for NRC are very favorable.** Specifically, given the increasingly strict regulatory environment, there is higher demand for comprehensive, scale providers of environmental services and hazardous waste disposal with required certifications, which few players in the market are able to provide. **Interestingly, one analyst suggested that despite it seeming contrary to public expectations, regulations have tended to get stricter under Republican regimes.**

With waste management regulations becoming more stringent, customers are also seen to increasingly outsource their waste management tasks to third party providers. Currently, only five environmental services providers are capable of competing nationwide and across multiple service lines. The slides below offer a breakdown of the three different markets NRC Group operates in – standby services, environmental services and waste disposal.



[Source:NRC Group June 2018 Investor Presentation, Pg. 37]



Source: NRC Group June 2018 Investor Presentation, Pg. 38

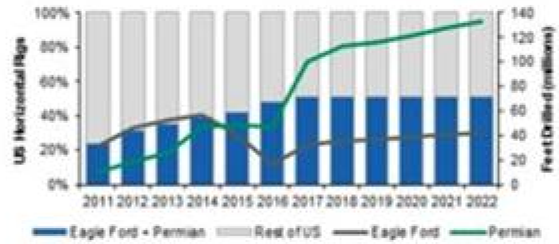
Waste Disposal Market Overview

Industry and Capex Dynamics Position NRC to Achieve Outsized Growth

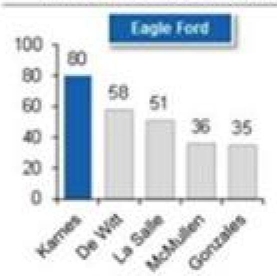
Supportive End-Market Conditions & Outlook

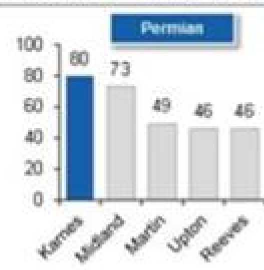
- Steadily increasing focus on environmental stewardship
- Waste streams are regulated by federal and state laws that require proper disposal according to stringent requirements
  - Operators find the waste regulatory requirements too complicated or capital intensive to keep in-house
- Company is well-positioned to capitalize on increased activity in core markets (e.g., Permian and Eagle Ford)
- Reliable waste disposal services are critical to E&P operations, yet represent a modest portion of total costs

West Texas Drives Oilfield Demand[1]



Karnes vs. Top Producing Counties[2] *(million bbls)*





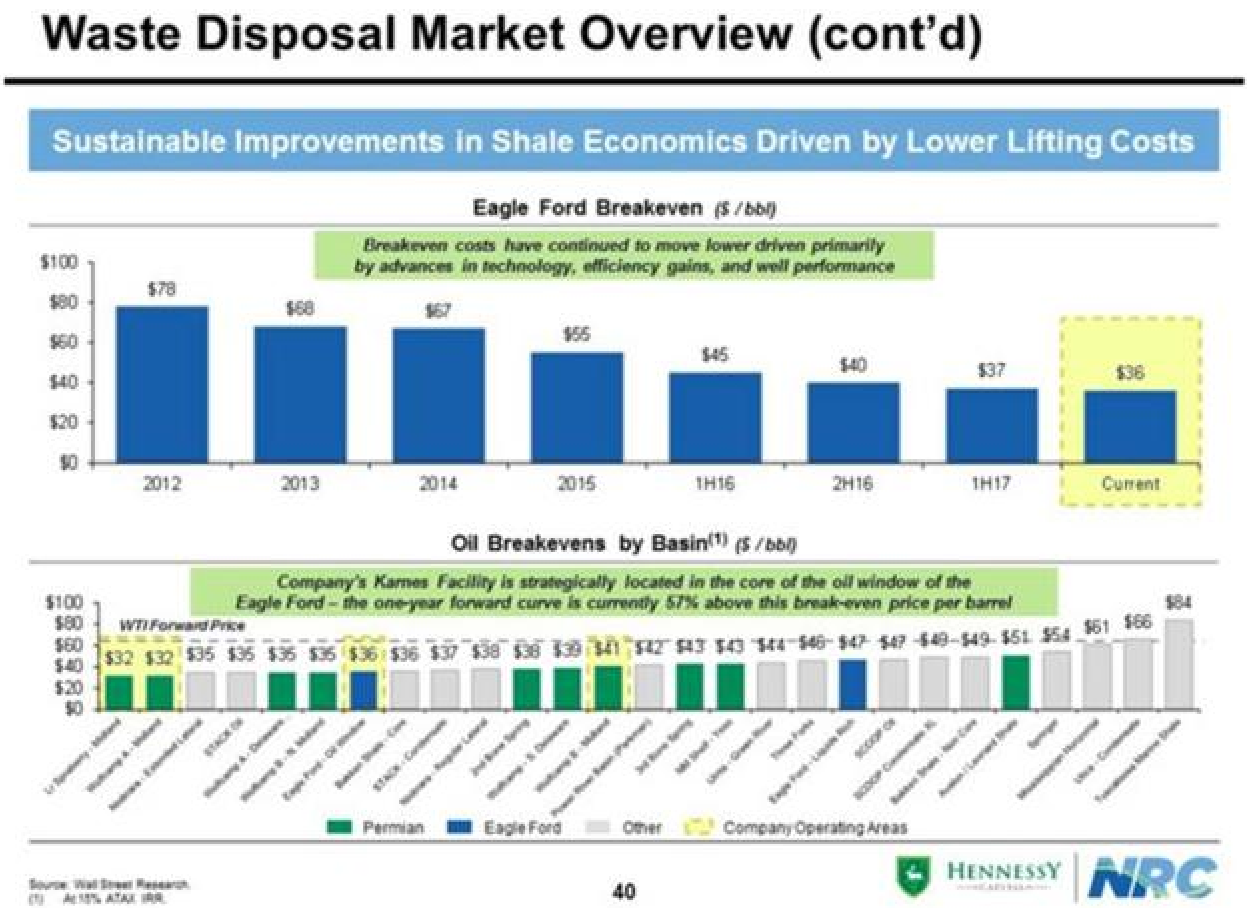
E&P Capex Budgets Offer Substantial Upside

($ in billions)	2016A	2017A	2018E	'16/'17 $ Change	'16/'17 % Change	'17/'18E $ Change	'17/'18E % Change
Permian	$17	$27	$33	$9	53%	$7	24%
Eagle Ford	$9	$12	$15	$3	33%	3	26%
Marcellus / Utica	$8	$13	$13	$5	55%	1	4%
Bakken	$7	$8	$10	$2	29%	2	24%
Niobrara	$3	$5	$6	$2	61%	1	18%
Top Five Unconventional	$44	$65	$78	$21	48%	$13	20%
Other U.S. Unconventional	$10	$13	$16	$3	29%	3	21%
Total U.S. Unconventional	$54	$78	$93	$23	43%	$16	20%

(1) Source: Spears.
(2) Represents cumulative production volume in 2016.

HENNESSY CAPITAL | NRC

Source: NRC Group June 2018 Investor Presentation, Pg. 39



[Source: NRC Group June 2018 Investor Presentation, Pg. 39](#)

Thesis / Key Base Case Drivers:

High barriers to entry across standby services and waste disposal segments

Standby Services Segment: NRC Group's standby services is a high-margin, recurring retainer-based business model that provides opportunity for incremental emergency marine spill response revenue. It offers an attractive value proposition to customers as the average retainer payment is low-cost at less than $20,000, but are government-mandated for customers and serve as a low-cost yet invaluable insurance policy in the event of an incident. A case study from 2012 on an emergency spill can be found on page 12 of this presentation.
Most importantly, NRC standby services is the only national commercial Oil Spill Response Organization ("OSRO") in the U.S., fulfilling all six ratings each of "Marine ACP" and "On-water and Terrestrial RPA". The only other national OSRO provider with which NRC competes is Marine Spill Response Corporation ("MSRC"), which is a non-profit. Even then, MSRC does not fulfill all twelve regulations and lack a comprehensive set of capabilities that NRC Group provides. On the commercial front, while there are other players such as Clean Harbors Environmental Services, Inc. which fulfill certain Marine ACP and On-Water & Terrestrial RPA certifications (diagram below), **based on our due diligence and discussions with with management**, these competitors are not government-regulated OSRO providers for standby

services. Management has indicated that essentially NRC Group or MSRC, are the only players in the space, with no other players are certified on regulatory grounds to provide this standby service.

As noted previously, management has not highlighted that they have kept prices stable for standby services for years. When we inquired about this, they noted that this is a viable source of incremental profits in coming years, although NOT currently factored into their forecasts. As a percent of customer costs, standby services are small, while a modest price hike could prove material to NRC's profitability.

Regulatory Ratings:

Rated OSRO
Ancon Marine *Rating(s):* *- Marine – ACP 5*
Clean Harbors Environmental Services, Inc. *Rating(s):* *- Marine ACP 2&5* *- On-Water & Terrestrial RPA's 1, 2, 3, 4, 5 & 6*
Global Diving & Salvage *Rating(s):* *- Marine ACP 2*
Marine Express Inc. *Rating(s):* *- Marine ACP 2*
Marine Spill Response Corporation *Rating(s):* *- Marine ACP 1,2,3,4,5 & 6* *- On-water and Terrestrial RPA 1, 2, 4, 5 & 6*
National Response Corporation *Rating(s):* *- Marine ACP 1,2,3,4,5 and 6* *- On-water and Terrestrial RPA1, 2, 3, 4, 5 & 6*
O.C. Vacuum *Rating(s):* *- Marine ACP 2* - Terrestrial RPA 1, 5 & 6

Rated OSRO
Patriot Environmental Services *Rating(s):* *- Marine ACP 2, 4 and 5* *- On-water and Terrestrial RPA 1, 2, 4, 5 & 6*
So Cal Ship Services *Rating(s):* *- Marine ACP 2, 4 and 5* *- Terrestrial RPA 1, 2, 5 & 6*
Stericycle Environmental Solutions **(dba: Double Barrel Environmental Services)** *Rating(s):* *- Marine ACP 5* *- Terrestrial RPA 1, 5 & 6*
Thompco Inc. *Rating(s):* *- Terrestrial RPA 1*
United Pumping Services Inc. *Rating(s):* *- Terrestrial RPA 1, 5 & 6*
US Water Taxi *Rating(s):* *- Marine ACP 5*
West Coast Environmental Solutions *Rating(s):* *- Marine ACP 5* *- Terrestrial RPA 1*
Sturgeon Services International Inc. *Rating(s):* *- Terrestrial RPA 1, 2 , 4 & 5*

By providing the most comprehensive set of government-regulated standby services, NRC is able to maintain an annual customer retention rate of over 99%, with an average customer tenure of over 12 years. In fact, contracts with terms of five years or more accounted for over 80% of

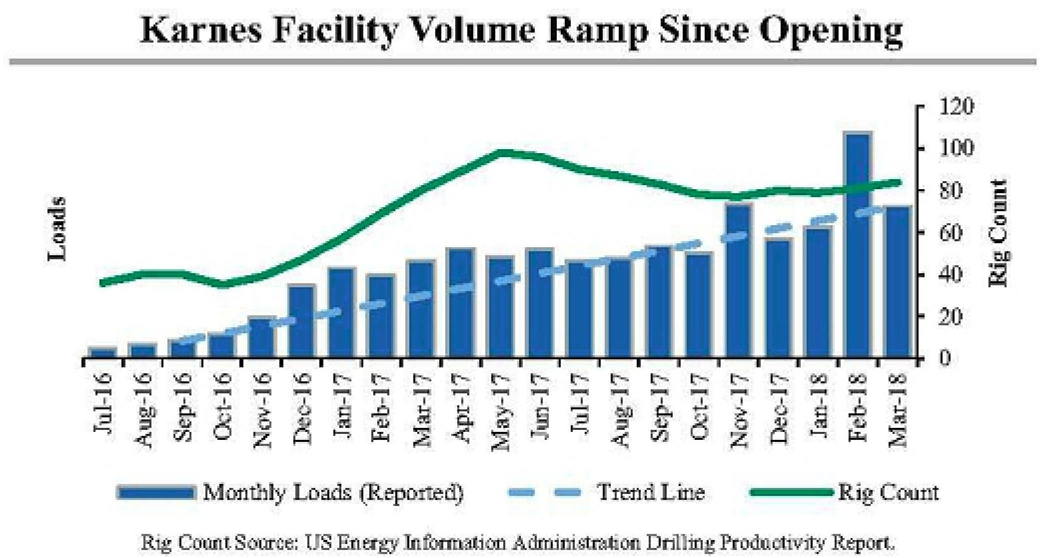
NRC's standby services revenue, with over half coming from contracts with durations of ten years or more.

Source: HCAC PRER14A, Pg. 23

Moreover, our research indicated that the standby services market is characterized by high barriers to entry driven by high cost of failure, necessity of scale - upwards of $100s of millions of new fleet investments, and regulatory certification requirements resulting in minimal competition and **no new market entrants since NRC's inception in 1992**. **In our discussions with NRC, they have commented that some of their vessels have been grandfathered in, and new entrants would have to pay many multiples of NRC's ships' cost to compete in the market. They also noted that dry-docking costs are relatively negligible and with proper maintenance, the current fleet can last many more decades.** These favorable business characteristics are evident from NRC's ~75% market share in the vessel standby market, as well as its high EBITDA margins of 45-50%.

As noted above our base case upside is essentially all from organic growth in the standby services segment coupled with the Mexico geographic expansion. **Given that many long-standing contracts which had been entered into many years ago are increasingly coming up for renewal, per conversations with management, NRC Group has the potential to raise prices for these renewed contracts. In some cases they could also provide additional, profitable, value-add services, providing further upside to revenue and profitability (i.e. services they are not currently performing that would be incremental to both top and bottom line)**. As compared to peers, NRC Group's pricing strategy is highly competitive to its single competitor MSRC, and given that standby is such a low percent of expense for their customers, increasing pricing would not be difficult and would generate essentially 100% incremental margin fall-through.

Waste Disposal Services: Similarly, waste disposal services provides attractive economics for NRC's customers, as waste disposal costs typically represent less than 1% of the total cost of drilling. But, with that being said, waste can also cause a complete shutdown of the rig without proper disposal, which results in a meaningful loss of revenue and incremental costs for the operator. While NRC's waste disposal facility in the Eagle Ford Shale Basin Karnes County is currently only 390 acres, it has further capacity to fulfill increasing demand, which includes 70 acres immediately available for development and another 200 acres available for future expansion. As a result of its strong value proposition, disposal volume at the Karnes Facility has increased by ~40% despite rig counts in the Eagle Ford basin declining by ~16% from July 1, 2017 to March 2018. As a result, NRC's waste disposal services is able to generate extremely high EBITDA margins of 60-65%.



Source: HCAC PRER14A, Pg. 26

2. **Strong base case growth opportunities: expansion of three new waste disposal facilities, expansion of service offerings in Mexico, and capitalize on cross-selling opportunities and national accounts**

Expansion of Three New Waste Disposal Facilities: NRC Group has three pending permits for waste disposal sits in the Permian Basin (*Source: HCAC PRER14A, Pg. 154*), which would provide NRC Group with strategic access to existing and new customers in the Delaware and Midland Basins. Each new facility can be constructed and commence operations within six months following the receipt of the permit. **According to discussions with management, the company has a consultant in Texas monitoring any new permitting activity, and the company is exceptionally confident in its positioning and demand for its upcoming facilities - which we believe are running ahead of schedule.** As the new facilities are modeled after the successful execution of the existing one in Karnes County, and the fact that the specific locations of the three new facilities were selected based on direct conversations with existing customers, with a particular focus on cost savings from being positioned in key locations, NRC Group should easily be able to have a successful launch of the three new facilities starting from their existing customer base. Investments in such waste disposal facilities offer attractive investment economics as well, typically with a payback period of four to five quarters and an average useful life measured in decades. For example, the new waste disposal facilities offer highly attractive unit economics, as ~$60mm invested in four waste disposal facilities is expected to generate ~$60mm adjusted EBITDA annually when fully operational.

Based on our due diligence with management and sell-side analysts, the three main factors which determine the attractiveness of waste disposal facilities to customers are:

Proximity / distance – customers usually work together with the closest waste disposal facilities. This is particularly important because customers usually spend 2-3x cost moving waste as compared to the disposal of waste. (In our conversations with the sell-side, location was sited as far and away most important - and clearly NRC seems exceptionally well situated with its new locations)

Waste disposal capabilities – Due to the wide range of services provided, NRC can provide many types of services such as high engineered solutions, oil separation, solid disposal, etc. in various industries, not just oil and gas.

Safety controls – NRC Group not only has the certifications but also the reputation in the industry of minimizing safety hazards.

While these three criteria seem easy to meet, it's important not to understate NRC's highly competent management, as they are able to execute well on these fronts, such as **locking in Pioneer (PXD), an existing customer, as an anchor customer for the new Reagan facility developed in the Midland basin**. In contrast, competitors such as Republic Services (RSG) which lack the capabilities to navigate through regulatory agencies and local constituencies face more difficulties developing new facilities.

To model out the three new facilities, we assumed the existing Karnes facility is at targeted capacity, generating EBITDA of ~$22.4mm EBITDA in 2019. For the subsequent waste disposal facilities, we assumed a ramp-up in production similar to the first Karnes facility, and capped the target EBITDA at $15mm, in line with management's projections. **We note that this target EBITDA of $15mm is very conservative given that the first Karnes facility already generated ~$15.4mm EBITDA 1.5 years into operation, and is expected to grow by another $7mm EBITDA in the next two years**. Moreover, for our base case, we only assumed EBITDA contributions from both the second (Reagan) and third (Andrews) facilities, without factoring in the Coyanosa facility which is set to receive permit approval by mid-2019 (this is only factored into account in upside case), and as mentioned earlier, we wouldn't be surprised to see a revenue contribution from this facility in late 2019. **This results in a payback period of ~1.5 to 2.5 years, rather than the four to five quarters as management has guided.** Once again, we think management is laying out highly achievable/beatable guidance.

EBITDA Bridge (*in thousands unless otherwise stated*)	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Waste disposal EBITDA increase			5,000	17,000	10,000	2,000	0
Waste disposal facility 1 (Karnes facility)	5,042	10,083	5,000	2,000	-	-	-
Waste disposal facility 2 (Reagan facility)			-	10,000	5,000	-	-
Waste disposal facility 3 (Andrews facility)			-	5,000	5,000	2,000	-
Waste disposal facility 4 (Coyanosa facility)			-	-	-	-	-
Waste Disposal Landfill Growth:							
Management guided revenue	$90,000						
Management guided EBITDA	$60,000						
Number of landfills	4						
Management guided revenue per landfill	$22,500						
Management guided EBITDA per landfill	$15,000						
First landfilll operations estimated EBITDA after 1.5 years	$15,125						
Step ramp-up for subsequent landfill EBITDA increase	$10,083						
Subsequent landfill operations target EBITDA	$15,000						
Cost invested in each facility	$20,000						
Payback period:			Year:				
Waste disposal facility 2			2				
Waste disposal facility 3			3				
Waste disposal facility 4			-				
Annual EBITDA:							
Waste disposal facility 2			-	$10,000	$15,000	$15,000	$15,000
Waste disposal facility 3			-	5,000	10,000	12,000	12,000
Waste disposal facility 4			-	-	-	-	-
Total Approximate FCF generated:							
Waste disposal facility 2			-	$10,000	$25,000	$40,000	$55,000
Waste disposal facility 3			-	5,000	15,000	27,000	39,000
Waste disposal facility 4			-	-	-	-	-

Source: [NRC Group June 2018 Presentation p26](), Dane Capital LLC estimates

Expansion of Standby Service Offerings in Mexico: With the recently privatized Mexican oil & gas market in 2014, the Mexican government has been actively auctioning off blocks for offshore exploration to leading global oil companies (*Source: [HCAC PRER14A]()*, *Pg. 160*), generating the need for waste management services. Although the OPA-90 only applies to U.S. territories, the Mexican government, as well as many leading global and U.S.-based companies seek OSRO-type coverage similar to that required in the U.S. - **a trend sell-side analysts have suggested to us are likely to increase**.

NRC Group's primary standby services competitor, MSRC is domestic only, and therefore is unable to operate outside the United States waters, which leaves NRC Group well positioned to be the provider of choice for these services. Other local players in Mexico include a number of small Greek fleets, which certainly do not have the same scale and technological capabilities as NRC does to supply standby services to their customers. In fact, management informed us, that one Greek player received an award, only to be dismissed and replaced by NRC when they didn't show up. NRC's first-mover advantage has helped the company become the leading OSRO in

Mexico with nearly all of the Tier 1 and Tier 2 oil spill response market in Mexico. To date, NRC has won all RFP bids submitted, which has created a roughly $23mm revenue opportunity in 2019, and a roughly $50mm annual revenue opportunity by 2022.

To be extremely conservative, NRC's management is only assuming a 25% win rate from these bids in their projections, therefore generating only $6mm of Mexico standby services revenue out of potentially $23mm in 2019 (again, as mentioned earlier, we believe this is solely due to management conservatism). Assuming the win rate of 25% for our base case and a flow-through standby services EBITDA margins of ~50%, which is very conservative as management has mentioned that incremental long-term EBITDA margins are closer to 80-85% due to high operating leverage from initial fixed cost investment, this should generate incremental ~$4.0mm, ~$5.1mm and ~$6.3mm EBITDA for 2020, 2021 and 2022 respectively.

Cross-selling Opportunities and National Accounts: At present, only 5% of NRC's customers use three or more of their services. With the newly integrated standalone NRC and Sprint ("SES") platforms, along with the recent SWS acquisition, NRC can offer an even more comprehensive set of services to clients, cross-selling different services, and creating an opportunity to significantly increase wallet share of existing customers.

Operating Leverage: Most notably, especially for the standby services segment, because there is substantial upfront investment but low subsequent operating cost, the segment contribution margins are very high, with the majority of the incremental revenue flowing through to adjusted EBITDA given the expansive infrastructure that is already in place. As a result, these base case revenue growth opportunities will correspondingly drive a disproportionate increase in EBITDA, magnifying our returns. Similarly, by spreading out the maintenance Cap-ex over a larger EBITDA base, free cash flow conversion is set to increase from mid-70% now to ~85% by 2019, as indicated by management.

The table below summarizes the main base case / management case growth drivers, which increases consolidated adjusted EBITDA from $68.8mm today to $147.9mm in 2022:

Management Case:

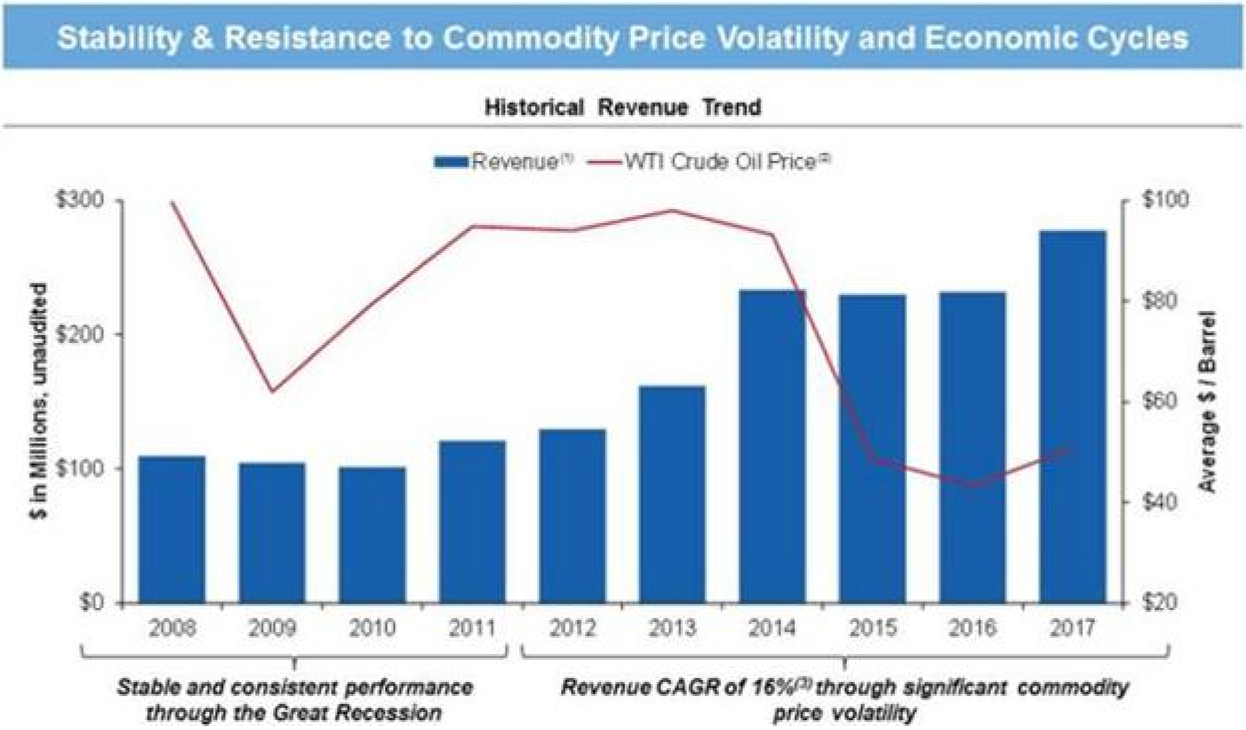
EBITDA Breakdown (*in thousands unless otherwise stated*)	2017A	2018E	2019E	2020E	2021E	2022E
Standby services	$19,750	$22,750	$29,750	$33,750	$38,875	$45,125
Environmental Services	32,625	44,625	49,625	52,625	53,625	53,625
Waste disposal	15,125	20,125	37,125	47,125	49,125	49,125
Total Operating EBITDA incl. Corporate	**$68,500**	**$87,500**	**$115,500**	**$131,500**	**$138,625**	**$143,875**
% EBITDA split:						
Standby services		26.0%	25.5%	25.3%	27.4%	30.5%
Environmental Services		51.0%	42.6%	39.4%	37.9%	36.3%
Waste disposal		23.0%	31.9%	35.3%	34.7%	33.2%
Memo - EBITDA Growth:						
Standby services		15.2%	30.8%	13.4%	15.2%	16.1%
Environmental Services		36.8%	11.2%	6.0%	1.9%	0.0%
Waste disposal		33.1%	84.5%	26.9%	4.2%	0.0%
Total EBITDA		**27.7%**	**32.0%**	**13.9%**	**5.4%**	**3.8%**

EBITDA Bridge (*in thousands unless otherwise stated*)	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Standby services EBITDA increase			$3,000	$7,000	$4,000	$5,125	$6,250
Environmental Services EBITDA increase			12,000	5,000	3,000	1,000	-
Waste disposal EBITDA increase			5,000	17,000	10,000	2,000	0
Corporate			(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total EBITDA Increase			**$19,000**	**$28,000**	**$16,000**	**$7,125**	**$5,250**

Source: NRC Group June 2018 Investor Presentation Page 30, Dane Capital LLC estimates

3. Significant downside protection through 2008 financial recession and 2014 oil price crisis period

Given the recurring and regulated nature of NRC Group's services, the company has managed to exhibit the resiliency of its business model through both the financial recession as well as the more recent oil price crisis, as shown in the diagram below:



Source: [*NRC Group June 2018 Investor Presentation, Pg. 15*]

In fact, the performance indicated excludes a positive $43mm large marine spill event in 2014 - **which management doesn't mention in its presentation or proxy -** but gives a sense of the very positive impact that an unexpected disaster can have for the company.

To further stress test our assumptions, we took the 2015-2017 adjusted EBITDA figures to simulate how our EBITDA would change if another oil price crisis were to hit the coming year. After removing the estimated SWS acquisition synergies that would artificially boost adjusted EBITDA in 2017 on a one-off basis, we also broke out the adjusted EBITDA contribution from the existing segments (Standby Services and Environmental Services) from the Waste Disposal segment, because the operations of the first Karnes facility artificially inflated the recovery of adjusted EBITDA in 2017 by $15.4mm. The objective of this was to see how EBITDA growth rates would change if another oil crisis were to hit the coming year.

In thousands unless otherwise stated	Oil Price Crash							
Modified Adjustments for NRC Group	**2015A**	**2016A**	**2017A**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
EBITDA	$21,962	($6,219)	$46,788					
Management fees	1,389	1,066	1,036					
Impairment expense of goodwill and intangible assets	-	24,882	-					
Acquisition Transaction expenses	4,746	6,355	583					
Transition expenses and extraordinary items	6,499	7,513	4,667					
Pre-NRC EBITDA contribution	15,453	(2,826)	(473)					
Restructuring and Large Event Adjustments	(8,783)	2,487	5,192					
Estimated SWS Acquisition Synergies	-	-	-					
Expenses not in the normal course of business	4,603	5,211	3,150					
Reorganization Adjustments	2,744	2,192	4,397					
Reclassification Items	82	36	(342)					
Total Adjustments	$26,733	$46,916	$18,210					
Adjusted EBITDA ex. Waste Disposal Segment	$48,695	$40,697	$49,873	$67,375	$92,875			
Growth rate %		-16.4%	22.5%	35.1%	37.8%			
Adjusted EBITDA Waste Disposal Segment			$15,125	$20,125	$22,125	$22,125	$22,125	$22,125
Adjusted EBITDA Oil Price Crisis Case			$68,844	$63,100	$58,042	$66,140	$81,586	$104,091
Projected Growth rate %				-8.3%	-8.0%	14.0%	23.4%	27.6%
Adjusted EBITDA ex. Waste Disposal Segment			$53,719	$42,975	$35,917	$44,015	$59,461	$81,966
Projected Growth rate %				-20.0%	-16.4%	22.5%	35.1%	37.8%

Source: HCAC PRER14A pg. 185, Dane Capital LLC estimates

To ensure that we sufficiently cover even the most draconian operating scenario, we further **assumed an EBITDA decline of -20.0% in the first projected year (2018E) for the Standby Services and Environmental Services segments, followed by a further -16.4% EBITDA decline, and a recovery after, similar to the trend shown from 2015 to 2019**. Importantly, this scenario assumes **zero EBITDA increases from the three new waste disposal facilities, even though it is highly likely that this growth opportunity is likely to materialize given the ongoing conversations with existing customers**. Moreover, while this downside case assumes zero growth CapEx because no new facilities were developed, we still assumed a constant $17mm maintenance CapEx annually, in line with our base case, even though management could possibly cut a portion of the maintenance CapEx in an oil price crisis. Even in such a severe downside case without any returns from multiple expansion, **we still obtain an upside of 1.3%, illustrating the significant downside protection** that we have. The tables below show the assumptions and returns calculations of our downside oil price crisis case:

DCF Assumptions	2018E	2019E	2020E	2021E	2022E
Consolidated adjusted EBITDA growth	-8.3%	-8.0%	14.0%	23.4%	27.6%
Maintenance capex	17,000	17,000	17,000	17,000	17,000
Growth capex	0	0	0	0	0
Mexico win rate	10.0%				
Exit multiple	8.7x				
Tax rate	21.0%				
Discount rate	10.0%				

Returns Analysis:	
Implied enterprise value	758,928
Implied equity value	388,928
Implied antidiluted share price	$10.3
Diluted share count	37,753,000
Implied diluted share price	$10.3
Current share price	10.2
Implied upside	1.3%

Source: Dane Capital LLC estimates

Next, to analyze the 2015-2017 / oil price crisis scenario on a more granular level, we looked at the financial performance of the standalone entities, NRC and Sprint ("SES"). For standalone NRC (note this is not NRC Group), as adjusted EBITDA figures were not given, we used (revenue – COGS – SG&A) to approximate EBITDA. With the exception of international services, all segments grew revenue and EBITDA from 2015 to 2017. Moreover, **the decline in international services was not significant enough to offset the overall revenue/EBITDA increases of the NRC business**. Similarly, for **the Sprint ("SES") business, the company grew both revenue and EBITDA over the same period, despite the energy services segment temporarily decreasing in revenue and EBITDA from 2015 to 2016**. As such, we feel that our downside cases modeled after the performance of adjusted EBITDA from 2015-2019 is extremely conservative and defensible[2].

Segment Breakdown	2015A	2016A	2017A
<u>**NRC Segment Operating Model Summary:**</u>			
Revenue:			
Domestic Standby Services	$34,513	$29,630	$43,810
Domestic Environmental Services	132,480	164,452	170,993
International Services	36,033	23,503	17,697
Total NRC Segment Revenue	**$203,026**	**$217,585**	**$232,500**
Revenue - COGS - SG&A:			
Domestic Standby Services	$12,940	$14,483	$19,470
Domestic Environmental Services	15,030	21,774	22,282
International Services	8,157	3,943	2,842
Total NRC Segment (Revenue - COGS - SG&A)	**$36,127**	**$40,200**	**$44,594**
<u>**Sprint (SES) Segment Operating Model Summary:**</u>			
Landfill Operations Revenue	-	$3,212	$20,730
Energy Services Revenue	11,543	10,912	24,401
Total SES Revenue	**$11,543**	**$14,124**	**$45,131**
Landfill Operations Adjusted EBITDA	-	$2,567	$12,605
Energy Services Adjusted EBITDA	3,421	2,387	5,618
Total SES Adjusted EBITDA	**$3,421**	**$4,954**	**$18,223**

Source: HCAC PRER14A

Three Basic Questions

After analyzing the fundamentals of the business, there are 3 questions that we still want to address to ascertain if this mispricing is valid. These are questions that inform our thinking when we look at any potential investment:

What is the reason for this mispricing (aka why should we be so lucky)?

What is our margin of safety (aka what protects us from a permanent loss of capital)?

What is the asymmetry of the opportunity (aka what are we playing for)?

What is the reason for this mispricing? NRC Group was only established in June 2018 after the completion of the long-anticipated combination of NRC and Sprint, which while operating separately, had been working together under a Collaboration Agreement since 2015 until such time that the two businesses were formally combined. Both companies were under common ownership of investment affiliates of JFLCo. **In speaking to members of JF Lehman's Board, they explained to us** that they sold the company to HCAC, mainly because it had to exit as the fund invested in NRC Group (Fund 3) is at the late stage of the investment fund cycle with little additional cash to deploy to support additional growth. This forced selling presents an opportunity for investors to pick up a really good business trading at low multiples. Even more interestingly, JF Lehman is intending to invest up to $50mn via Fund 4 in the new NRC Group through a potential PIPE investment, indicating their strong conviction in the company in equity at the same price as peers (see Proxy Annex A-5 and A-64 for additional discussion of the "JFL Subscription Agreement). This is not something management has highlighted to date, but we think will be extremely important to investors when the company is on the road in early October. **That JF Lehman would put significant fresh capital to work at market prices is something we've rarely seen in a SPAC transaction, a sign of strong insider alignment, and exceptionally bullish in our view.** Moreover, there is also a lack of awareness of this story, with no institutional following/research coverage (for now). The lack of public comparables (not many waste management companies have such a comprehensive OSRO exposure, and do not have such a large exposure to the industrial/O&G end market) is another contributing factor. Last but not least, as a small-cap security, NRC Group is not accessible to the majority of institutions nor currently on their radar screen.

What is our margin of safety? We believe there is limited probability of permanent capital impairment owning shares at current levels. Our base (management) case projections, yields an upside of 75.4%, even though we are using their main growth assumptions **which we believe are far too conservative**. As mentioned above, we are only assuming a win rate of 25% in Mexico despite NRC Group securing 100% of bids to date. Moreover, not only did we assume the waste disposal facilities take ~1.5 to 2.5 years to payback (as compared to management guidance of only 4 to 5 quarters), NRC Group is far along in its discussions with existing customers which increases the reliability of execution at the new facilities. Lastly, we give no credit for accretive acquisitions, **including one outlined in the proxy that may close prior the closing of the SPAC merger - but completely ignored by the company in its management presentation to date. Based on our conversations with various members of the team, we wouldn't be surprised by an additional accretive acquisition prior to year-end or in early 2019. Based on a lengthy discussion with their m&a team, it appears that NRC's integration process is a well-oiled machine.**

Next, NRC Group is trading at 8.7x EV/2018E adjusted EBITDA as compared to all the comps presented by management which trade at 10.1x to 16.0x, and is even cheaper based on 2019 estimates, or when using EV/free cash flow multiples. Even looking at the closest two comps (Clean Harbors and US Ecology) that have similar businesses to the Environmental services segment (which, in our view, is inferior to the Standby Services and Waste Disposal segments), currently trade at 13.2x. Given NRC Group's superior business model and high growth profile, the margin of safety is significant, as illustrated from our downside analysis thesis above.

In speaking to one of the sell-side analysts, he mentioned that NRC should receive a discount given its smaller size and that it's a SPAC. We love when we hear this - a case of creating a narrative to justify a stock price. We believe that in several quarters, if NRC performs as we expect it to, it could very well receive the high multiple in the sector, given its superior growth rate, and the potential for ongoing sustainable superior growth given its smaller size, not to mention the likelihood of ongoing margin improvement.

What is the asymmetry of the opportunity? The central bet, and given the undemanding valuation, we don't think this is much of a bet, we are making here is that NRC Group has a unique capability, as the only national commercial OSRO provider, to offer government-regulated standby services together with a comprehensive set of waste management tools. By being able to provide better (or in this case being the only player that given the strict government regulations) and more comprehensive waste management services, NRC Group is not only able to drive its upside by growth into new international markets, but also protect its downside by ensuring high customer retention and resilience of its business model even through the financial recession and oil price crisis. The asymmetry seems clear as even if we assume slightly higher growth from the Mexico market with a win rate of 50% (which is conservative as compared to historical performance of 100%), that drives our upside to 94.1% even without considering any multiple expansion beyond the 10.0x. Moreover, NRC Group can further drive upside by pursuing bolt-on acquisitions. Since 2012, NRC has made a total of nine acquisitions at an average purchase multiple of 4.0x trailing EBITDA. Currently, because of NRC's Independent Contract Network (ICN), NRC has a pipeline of pre-vetted environmental service businesses that they intend to purchase, targeting 1 to 3 acquisitions annually, as shown in the slide below. In fact, acquisitions are already in the process for 2018, which we did not factor into our model.

Successfully Integrated 9 Acquisitions Since 2013; ~4.0x(1) Avg. EBITDA Multiple

Track Record of Executing & Integrating Acquisitions

Acquisitions	Year	Sector(2)(3)	Geography	Former ICN
	July 2013	ES & ER	New York / Northeast	✓
	March 2014	Offshore ES & ER	UK / North Sea	
	March 2014	ER & High Hazard Rail	Texas	✓
	October 2014	ES & ER	Alaska	
ENPRO	April 2016	ES & ER	Northeast	✓
	November 2016	ES & ER	Northeast	✓
	January 2017	ES & WWT	Pacific Northwest	
	March 2018	ES	UK	
SWS	April 2018	ES & ER	Southeast	✓

Actionable Pipeline of Acquisition Targets(4) *($ in millions)*

Target	Rationale	Revenue(5)	Current ICN
Target 1	Geographic Expansion	$100	
Target 2	Service Enhancement	$100	✓
Target 3	New Service	$100	
Target 4	Geographic Expansion	$50	✓
Target 5	Service Enhancement	$50	✓
Target 6	Service Enhancement	$50	✓
Target 7	Service Enhancement	$30	
Target 8	Service Enhancement	$30	✓
Target 9	Geographic Expansion	$25	
Target 10	Service Enhancement	$15	✓

Built-in Pipeline from ICNs

- ICN acquisitions increase the Company's footprint and reduce reliance on subcontractors, thereby representing a margin expansion opportunity
- Target 1-3 acquisitions per year
- Utilize longstanding industry relationships, ICN network, and third-party brokers to maintain M&A pipeline
- Track record of integrating acquisitions and achieving meaningful cost savings through IT rationalization, back office integration, reduction of duplicate facilities and buy vs. leasing equipment

Source: NRC Group June 2018 Investor Presentation, Pg. 27

From our discussions with management, NRC Group expects to continue to be able to pursue acquisitions at such an attractive multiples mainly because of: size of the deal, trust factor – independent business operators who are at retirement age are more willing to sell to NRC Group due to their long-standing relationships, no investment bank intermediaries and resulting in a purchase that has no auction process. Given its relationships, NRC has first mover advantage in the ICN space and hence has already established connections with other players. **Our conversations with industry experts suggest that this is a multi-year opportunity for NRC.**

A clear example of this unique competitive advantage of pursuing acquisitions at low multiples is the specific acquisition identified on JFL Partner's disclosure letter (referred in the Proxy in the Purchase Agreement section as the "Potential Acquisition"). If consummated, the Potential Acquisition would provide NRC Group with soil incinerating capabilities (we believe in Alaska) and could potentially add $10.0 to $15.0mm of incremental annual adjusted EBITDA and up to $20.0 to $30.0mm in annual incremental revenues, in each case within 24 months of completing the Potential Acquisition. Based on the Total Purchase Price payable at closing to JFL Partners of $25mm if the Potential Acquisition has been consummated, that would amount to a ***1.67-2.5x adjusted EBITDA on a 24 months forward basis, exceptionally attractive for an acquisition that could boost EBITDA by 10%+ and at such a dramatic discount to public comps.*** **We don't know why JFL agreed to such a low multiple other than they retain a lot of "skin in the game."** Our sense is the acquisition is highly probable in the very near-term and we believe it could quickly generate interest and momentum in shares.

It's worthwhile to note that NRC Group has been able to extract synergies from acquired companies due to their in-house teams (management calls them SWAT teams) that track synergies real-time daily. A recent success case would be the Progressive Environmental Services, Inc. ("SWS") acquisition, which has **yielded ~$4mm cost synergies (~7.0% of FY2017 revenues) within 12 months since the deal closed**. Furthermore, the SWS acquisition expanded NRC Group's environmental services geographic coverage to 20 locations in eight states throughout the Southeast, Gulf Coast and Midwest of the U.S., essentially filling in the missing geographic and strategic pieces that NRC Group lacked initially to be a truly national player. One of the analysts with whom we spoke characterized the acquisition as a difference maker, a sentiment widely shared by management. Company leadership believes that SWS was the final cog in providing a comprehensive service on a national scale and can help attract new customers and deepen relationships with existing customers. **According to management, while they believe this is a very big deal strategically, and in all likelihood, financially, they are assuming a very modest (conservative) uplift to 2019 results from the acquisition, and somewhat more in 2020 and 2021. Once again, management appears to be erring on the side of under-promising.**

Coupled with potential further upside from one-time emergency events in the standby services segment (such as Hurricane Florence), NRC Group is an idea that we are optimistic will allow to make more than 100% on our investment. This would seem to be a classic Mohnish Pabrai's Dhando's philosophy fitting the concept of, "heads I win, tails I don't lose much." In this case, we can see an outcome where we make at least 100% on our investment if NRC Group just simply carries on with its historical performance and track record, along with an extremely low probability for very minimal or no losses.

SPAC Deal Dynamics:

When we were considering whether to invest in NRC Group, two questions came to mind with regards to the SPAC deal dynamics:

Should we buy the stock now in its SPAC form, as HCAC, or wait for the transaction to close and buy when the ticker changes to NRCG?

Who are we buying from and why is there an opportunity?

We unequivocally came out in favor of purchasing shares of HCAC ahead of deal close. This is because the transaction is already backstopped by Nomura and Cyrus Capital, among other PIPE investors, so we know that if everyone redeems, we'll be aligned with solid, long-term investors, not to mention that we can currently buy below the $10.23 redemption price. The deal is expected to close on, or around October 15 and we suspect that between now and then there will be significant volume after the company goes on the road, and institutional buyers acquire shares from non-fundamental investors (shown in the table below). We believe that **investors can easily purchase significant quantities (likely 20-30 million shares) of HCAC now from SPAC arbitrageurs now without moving the price**, as non-fundamental investors would be more than willing to exit at the current price of $10.15 or slightly higher. We suspect mutli-million share positions could be established without moving the stock price more than a few dimes. Moreover, **even if the deal does not go through (which is highly unlikely), investors can still redeem their shares at an estimated per share redemption price of $10.23** (*Source: HCAC PRER14A, Pg. 139*). It is worthwhile to note that the company decided to go through the SPAC route to IPO, rather than the traditional IPO way, mainly because it required a shorter time frame to market, a high level of confidence in Hennessy, its value-add and its ability to successfully close the transaction, and there was some uncertainty in going public through an IPO due to its small market cap.

Owner Name	Date	Shares Held	Change (Shares)	Change (%)	Value (in 1,000s)
GLAZER CAPITAL, LLC	06/30/2018	2,428,128	2,070,072	578.14	24,641
WEISS ASSET MANAGEMENT LP	06/30/2018	2,020,704	889,303	78.60	20,506
FIR TREE CAPITAL MANAGEMENT LP	06/30/2018	2,000,000	1,000,000	New	20,296
BERKLEY W R CORP	06/30/2018	1,501,765	192,411	14.70	15,240
OXFORD ASSET MANAGEMENT LLP	06/30/2018	1,412,500	850,000	151.11	14,334
BASSO CAPITAL MANAGEMENT, L.P.	06/30/2018	1,346,747	17,700	1.33	13,667
BANK OF MONTREAL /CAN/	06/30/2018	1,280,041	0	0.00	12,990
ANGELO GORDON & CO LP	06/30/2018	1,179,500	29,500	2.57	11,970
GEODE CAPITAL MANAGEMENT, LLC	06/30/2018	1,000,000	1,000,000	New	10,148
PERISCOPE CAPITAL INC.	06/30/2018	846,000	100,000	13.41	8,585
K2 PRINCIPAL FUND, L.P.	06/30/2018	747,600	312,800	71.94	7,587
COWEN INC.	06/30/2018	549,904	549,904	New	5,580
HBK INVESTMENTS L P	06/30/2018	500,000	0	0.00	5,074
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ALBERTA AS	06/30/2018	490,000	0	0.00	4,973
LINDEN ADVISORS LP	06/30/2018	447,493	(37,983)	(7.82)	4,541

Source: Hennessy Capital Acquisition Corp. III (HCAC) Institutional Ownership & Holdings

While some investors might be concerned that they are essentially buying NRC Group from the "smart money" at JF Lehman, an established private equity shop, we don't think this is the case of "buying from smart investors who have already extracted all the returns available". In particular, JF Lehman is exiting the investment because its Fund 3 is near the end of its fund life and does not have additional growth capital to contribute. **More importantly, JF Lehman as discussed previously (although not yet highlighted by the HCAC/NRC), is expecting to invest up to $50mn from Fund 4 at market prices**, according to the prospectus. In addition, Cyrus Capital, a ~$5bn hedge fund, is involved in both the PIPE and the preferred, and has so much conviction in the stock due and its long-term potential, that they took a board seat (John Rapaport). Lastly, looking at Hennessy Capital Acquisition Corp's. first SPAC investment which became BlueBird Corp. (BLBD), despite having bought the company from Cerberus, a renowned private equity firm who is definitely a smart investor, investors in Blue Bird still generated ~155% returns, with the stock price trading at $25.55 today. Thus, we think there are extremely positive signals on the SPAC deal dynamics.

As a final point, many mutual funds, and some non-mutual funds have corporate policies that do not allow them to invest in SPACs. We suspect, upon deal closure, there will be significant pent-up buying interest from numerous institutional funds for this high-quality, undervalued, business.

We'd also point out, that like virtually all SPACs, HCAC has warrants - an aspect of SPACs that many institutions don't like. **Having had the opportunity to speak with most of NRC's Board,**

we're not sure their specific plans, but we have a strong sense that they will act expeditiously to clean up NRC's capital structure. In our view, if there are minimal redemptions, they may buy out the warrants for cash, while if there are higher levels of redemptions, they may exchange the warrants for stock. Our best guess is that within 6 months, there will be no outstanding warrants, and at current prices they offer a compelling return profile (we'd suggest at least 30%+ from current levels - they are full warrants).

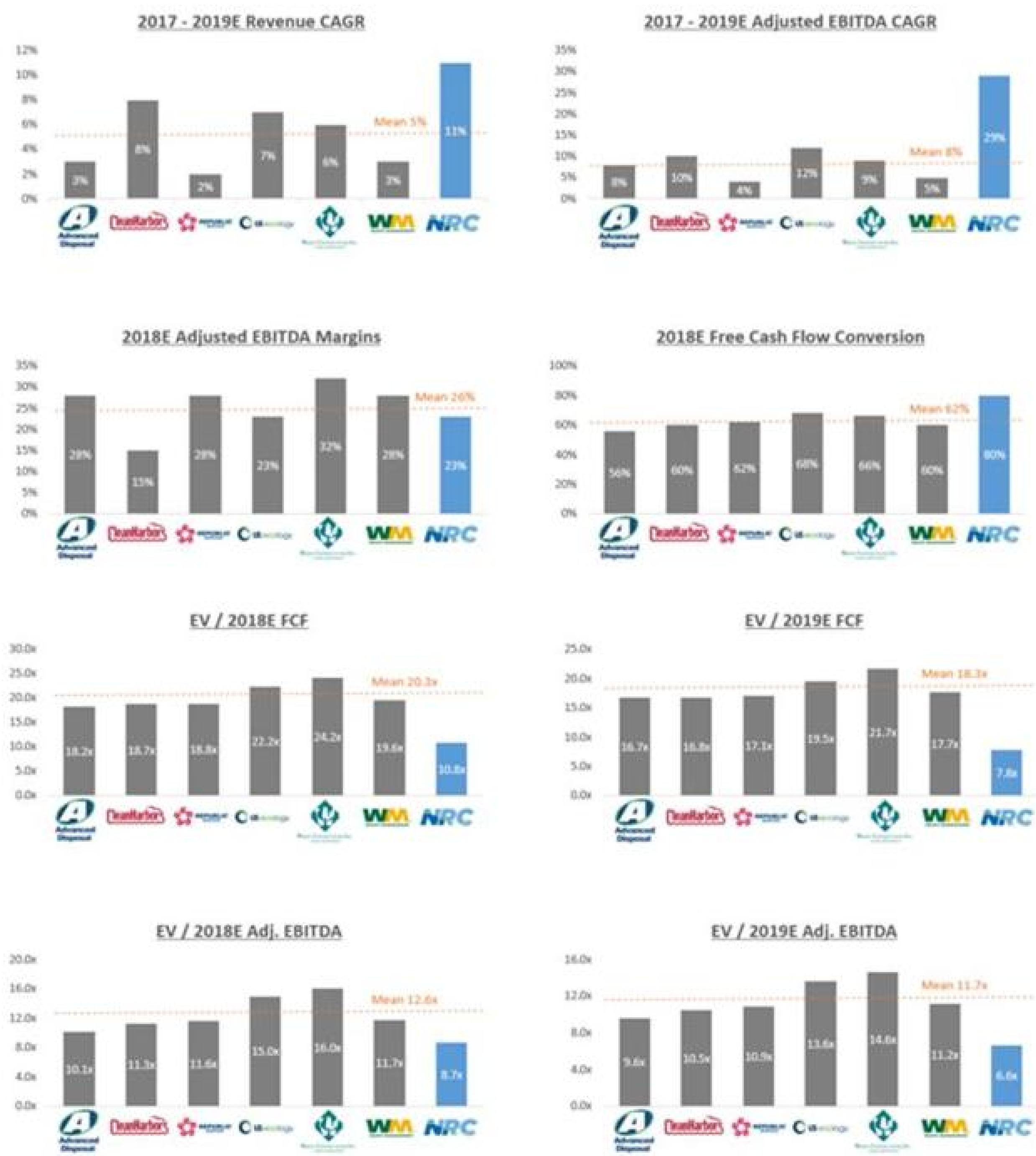
Quality Management Team:

Post-transaction, the company will continue to be led by the same, highly capable management team that is laser-focused on value creation. Importantly, Hennessy Capital management has an established track record of supporting organic growth initiatives complemented by strategic add-on acquisitions, facilitating NRC Group's rapid expansion with a comprehensive network of resources. For instance, with the help of Hennessy Capital, NRC Group's management is intending to refinance the $308mm Term Loan with interest rate of L + 525bps into a new Term Loan with interest rate that we suspect will be several hundred bps lower (likely ~300bps), in about 6 months post deal closure. This amounts to ~$9mm interest savings annually, which for the remaining maturity of the original Term Loan of ~5.5 years, amounts to an additional ~$49.5mm accretive to equity holders. Hennessy Capital executed the same strategy for their Blue Bird SPAC investment, reducing the Company's effective interest rate paid by ~400bps and saving the company ~$4mm in FY2017[3].

Furthermore, Hennessy Capital independent director James O'Neil will join the NRC Group Board of Directors as Executive Chairman after completion of the business combination. It is worthwhile to note that Mr. O'Neill is the former CEO and Director of Quanta Services (PWR), a leading integrated infrastructure solutions provider. Mr. O'Neil played a key role in building Quanta from its early years to the Fortune 500 company it is today. In particular, Mr. O'Neil completed nearly 200 acquisitions for Quanta and under his leadership Quanta grew to over $7 billion of revenue and over $5 billion of market capitalization. **We had the opportunity to speak with Mr. O'Neill and our sense is that he believes NRC represents an opportunity compelling enough to exit retirement. We don't believe he'll simply be a figure-head, but will have an active and visible role in helping take NRC to the next level.** In addition, in partnership with JFL, Hennessy Capital has also invited Jim Baumgardner, former CEO of US Ecology (ECOL), a leading provider of environmental services and waste management and one of NRC Group's public peers, to join the board of directors after the business combination. Given the historical track record of both NRC Group's management team and board of directors, we believe the company is in good hands to execute its growth initiatives going forward.

Discussion of Model and Valuation Analysis:

In terms of its valuation, NRC trades at the lowest multiple compared to other waste management companies, despite having a higher growth profile and significantly superior free cash flow conversion, as shown in the diagrams below:

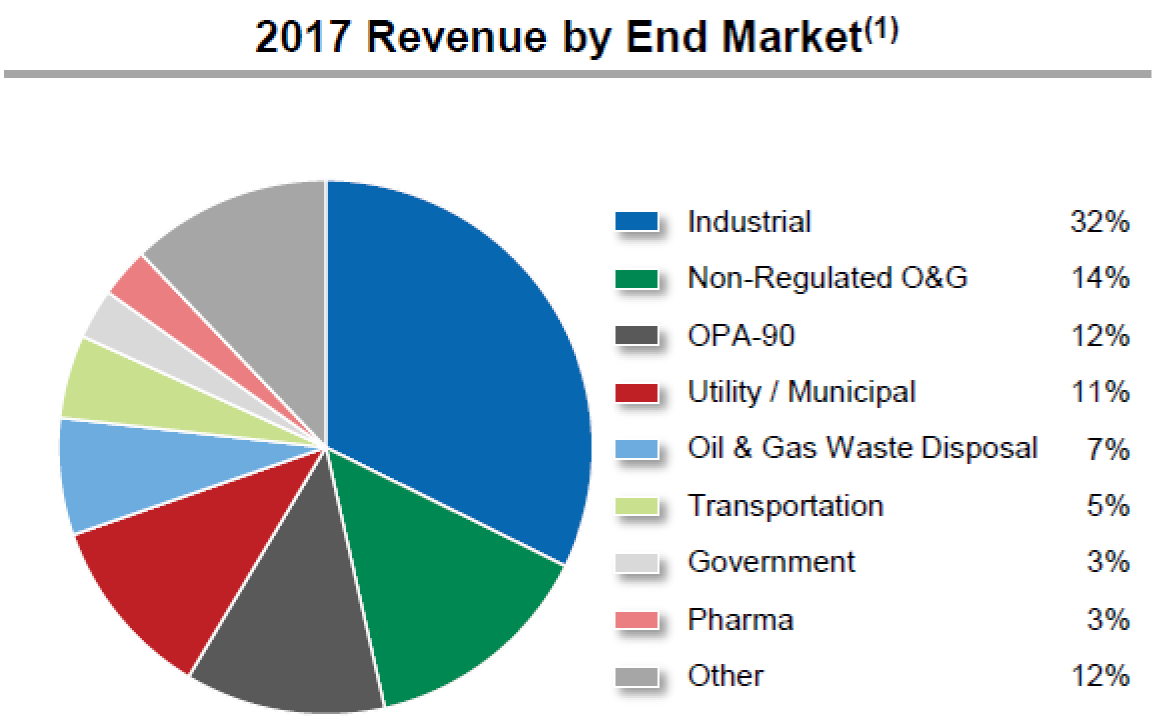


Source: NRC management projections, Company filings, Capital IQ as of September 10, 2018

To further understand what multiple we believe that NRC should trade at, we compared its business models to its peers, focusing on the distribution of end market customers as well as the type of waste management services provided. As NRC operates mainly in the industrial and O&G space (65% total for industrial, non-regulated O&G, OPA-90 and Oil & Gas Waste Disposal), the four closest comparables in similar end market distribution are Clean Harbors (CLH), US Ecology (ECOL), Heritage Crystal Clean (HCCI), and Waste Connections (WCN).

However, if we were to compare the type of services provided, CLH and ECOL would be the closest comparables, providing primarily environmental services and waste disposal services. In contrast, other businesses such as WCN focus more on collection services, E&P waste treatment and transfer stations. Both businesses, CLH and ECOL, trade at 11.3x and 15.0x EV/2018E Adjusted EBITDA respectively (average of 13.2x), significantly higher than NRC Group's current EV/2018E adjusted EBITDA of 8.7x. Importantly, for FY2017, CLR had an adjusted EBITDA margin of 14.5%, and free cash flow conversion (EBITDA – Cap-ex) of 60.8%. ECOL had adjusted EBITDA margins of 22.6% and free cash flow conversion of 75.0%. Even if we do not factor into account operating leverage which will increase NRC Group's adjusted EBITDA margins and free cash flow conversation drastically, NRC Group should still trade at higher multiples than these two comparables given its superior adjusted EBITDA margins and free cash flow conversion profile. To be conservative, we used the 5-year average EV/NTM EBITDA for both CLH and ECOL, which traded at **10.0x**, for our base and upside cases. Even without considering multiple expansion beyond peers with weaker business models, there was still sufficient upside (75.4%) to suggest to us that this is a clearly compelling investment opportunity.

NRC Group's End Markets



Source: [HCAC PRER14A, Pg. 29]

Company	2014 EV / NTM EBITDA	2015 EV / NTM EBITDA	2016 EV / NTM EBITDA	2017 EV / NTM EBITDA	EV / 2018E Adj. EBITDA
Clean Harbors (NYSE: CLH)	8.0x	7.7x	8.6x	9.6x	11.3x
US Ecology (NasdaqGS: ECOL)	9.9x	9.8x	9.5x	10.8x	15.0x
Heritage Crystal Clean (HCCI)	9.5x	8.0x	7.5x	8.0x	9.3x
Waste Connections (WCN)	-	-	12.7x	13.8x	16.0x
Average of Industrial/O&G Waste Mgmt. Comp Set	**9.1x**	**8.5x**	**9.6x**	**10.6x**	**12.9x**
Average of Key Competitors	**8.9x**	**8.8x**	**9.1x**	**10.2x**	**13.2x**
Average of all comps	10.1x	9.7x	9.8x	10.5x	12.1x

Source: S&P Capital IQ

In addition, it is not difficult to see our upside exceeding 100%, if NRC Group executes its operations in line with historical performance, rather than the guidance outlined by management. For example, if NRC Group manages to obtain just a 50% win rate in Mexico, and if we account for the EBITDA contribution from the third waste disposal facility in late 2019 (Coyanosa facility), the upside case easily yields 109.8%. This is based on locked-in growth, due to NRC Group's unique position as the only commercial OSRO provider and ability to offer a comprehensive set of waste management solutions. The asymmetry becomes even clearer if we factor in the incremental tolling revenue (which has 100% flow through to adjusted EBITDA) and Global Response Services, as well as potential highly accretive acquisitions which are expected to be executed at ~4-4.5x and, we believe, eventually, exited at ~10.0x even if we don't assume any EBITDA growth or synergies - a highly conservative assumption in our view. All these further upside growth opportunities do not need to happen for us to obtain >100% returns on our investment, despite the fact that we believe they are highly executable. In terms of returns calculations, given that there are ~19.2mm warrants exercisable at a price of $11.50, we further took this into account for the dilution of existing shares.

We think its important to note that this is a business that we believe will be built, enhanced, and eventually sold. With both JF Lehman and Hennessy dominating the Board (along with independent directors and representation from Cyrus Capital), we believe that the prime motivation over time will be maximizing value. At such point as NRC is optimally positioned for a sale to a larger player, we believe the Board will extract maximum value by selling for a full and fair price. While our sense is there is entrepreneurial spirit at the operating level, we believe all involved parties are long-term profit and value maximizers.

Lastly, we performed a sensitivity analysis on the various discount rates and exit multiple used. As shown in the table below, even if we were to use an exit multiple of 7.0x (1.7x below the current trading multiple), and a high discount rate 13%, we still will have upside from the investment. Moreover, our theoretical calculations for the weighted average cost of capital yields only 6.8%, thus indicating that the discount rate of 10% that we used is sufficiently conservative. Our detailed DCF assumptions and output are shown below:

Sensitivity Analysis:

Discount Rate:	Exit Multiple:								
	7.0x	8.0x	9.0x	10.0x	11.0x	12.0x	13.0x	14.0x	15.0x
8.0%	37.9%	56.5%	73.1%	90.2%	107.6%	125.2%	223.7%	251.4%	279.1%
9.0%	33.2%	50.9%	66.4%	82.6%	99.2%	117.2%	209.2%	235.8%	262.5%
10.0%	29.1%	45.7%	60.1%	75.4%	92.6%	108.5%	124.6%	221.0%	246.7%
11.00%	25.7%	38.1%	54.3%	68.6%	85.1%	100.2%	116.8%	206.7%	231.5%
12.00%	23.0%	33.6%	48.9%	62.2%	78.0%	93.8%	108.2%	124.1%	217.0%
13.00%	15.9%	29.7%	43.9%	56.2%	71.3%	86.4%	100.1%	115.4%	130.7%

DCF Analysis		2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Consolidated revenue		$214,569	$231,709	$277,631	$377,500	$430,000			
Consolidated adjusted EBITDA		$48,695	$40,697	$68,844	$87,939	$116,080	$132,160	$139,321	$144,598
-) D&A		($27,949)	($32,473)	($26,148)	($35,716)	($43,902)	($55,873)	($73,590)	($100,166)
EBIT		$20,746	$8,224	$42,696	$52,224	$72,178	$76,287	$65,731	$44,432
-) Capex		($14,300)	($9,900)	($17,900)	($37,000)	($38,000)	($36,000)	($17,000)	($17,000)
Maintenance		8,500	7,600	10,400	17,000	17,000	17,000	17,000	17,000
Growth		5,800	2,300	7,500	20,000	21,000	19,000	-	-
-) Changes in net working capital		4,388	2946	(13,128)	(1,777)	(2,024)	(1,900)	(1,900)	(1,900)
-) Cash taxes		(11,105)	(11,141)	(11,396)	(10,967)	(15,157)	(16,020)	(13,804)	(9,331)
Memo: EBITDA - Maintenance Capex					*$70,939*	*$99,080*	*$115,160*	*$122,321*	*$127,598*
EBITDA - Capex conversion %					*80.7%*	*85.4%*	*87.1%*	*87.8%*	*88.2%*
Unlevered Free cash flow		$27,678	$22,602	$26,420	$38,196	$60,899	$78,240	$106,617	$116,366
Free cash flow conversion %		*56.8%*	*55.5%*	*38.4%*	*43.4%*	*52.5%*	*59.2%*	*76.5%*	*80.5%*
Free cash flow growth %			*-18.3%*	*16.9%*	*44.6%*	*59.4%*	*28.5%*	*36.3%*	*9.1%*
Discounted UFCF (Year 1 to 4)					$34,723	$50,329	$58,783	$72,821	
Perpetuity value at year 4								$1,450,313	
Exit multiple (NTM)	10.0x								
Discounted perpetuity value								$990,583	
Implied Enterprise Value								**$1,207,240**	

Assumptions:

Tax rate	21%
Discount Rate	10%

NRC Group WACC Calculation

Company	Levered Equity Beta	Debt / Equity	Unlevered Beta
Advanced Disposal	0.7	2.0	0.3
Clean Harbors	1.2	1.4	0.6
Republic Services	0.9	1.1	0.5
US Ecology	1.3	0.8	0.8
Waste Connection	0.9	0.6	0.6
Waste Management	0.9	1.5	0.4
Average	**1.0**	**1.2**	**0.5**

Assumptions	
Risk-free Rate	2.99%
Market Risk Premium	5.08%
Tax rate	21.00%
Equity	378,000

WACC Calculation	
NRC Group Target D/E	0.98
Levered Equity Beta	0.92
Cost of Equity	**7.6%**

Returns Analysis:

Pro Forma Capital Structure:	
Equity market capitalization	378,000
Net debt	295,000
Convertible Preferred	75,000
Pro-forma enterprise value	**748,000**

Returns Analyis:	
Implied enterprise value	1,207,240
Implied equity value	837,240
Implied antidiluted share price	$22.2
Diluted share count	46,939,903
Implied diluted share price	$17.8
Current share price	10.2
Implied upside	75.4%

DCF Assumptions:

DCF Assumptions	2018E	2019E	2020E	2021E	2022E
Consolidated adjusted EBITDA growth	27.7%	32.0%	13.9%	5.4%	3.8%
Management Base case	27.7%	32.0%	13.9%	5.4%	3.8%
Upside Case	27.7%	32.0%	21.6%	12.3%	8.6%
Oil Crisis case	-8.3%	-8.0%	14.0%	23.4%	27.6%
Maintenance capex	17,000	17,000	17,000	17,000	17,000
Management Base case	17,000	17,000	17,000	17,000	17,000
Upside Case	17,000	17,000	17,000	17,000	17,000
Oil Crisis case	17,000	17,000	17,000	17,000	17,000
Growth capex	20,000	21,000	19,000	0	0
Management Base case	20,000	21,000	19,000	0	0
Upside Case	20,000	21,000	19,000	0	0
Oil Crisis case	0	0	0	0	0
Mexico win rate	25.0%				
Management Base case	25.0%				
Upside Case	50.0%				
Oil Crisis case	10.0%				
Exit multiple	10.0x				
Management Base case	10.0x				
Upside Case	10.0x				
Oil Crisis case	8.7x				
Tax rate	21.0%				
Management Base case	21.0%				
Upside Case	21.0%				
Oil Crisis case	21.0%				
Discount rate	10.0%				
Management Base case	10.0%				
Upside Case	10.0%				
Oil Crisis case	10.0%				

Source: Company Filings, Dane Capital LLC estimates

Risks:

Regulatory changes in the waste management space: Given that one of NRC Group's core advantage is its ability to provide government-mandated waste management services, regulatory changes in this space might be of concern to investors. However, as mentioned previously under "Regulatory History", regulations in the waste management space has moved towards stricter regulations, such as requiring even non-tank vessel operators to contact directly with an OSRO since 2013. We think it is worthwhile to note that Hennessy Capital also mentioned that they had similar concerns initially about potential regulatory changes, especially with the new political climate. However, based on their extensive due diligence through working with McKinsey, they were not able to find any significant threats of regulatory changes from a change in political parties, and agree with our conclusion that regulations have only become stricter over the years, if any changes even happened. **Our research indicates regulatory trends are only becoming more demanding and more favorable to NRC's prospects.**

Near-term oil price crash or financial recession: Granted, an oil price crash or economic recession in the near-term is not ideal for our investment in the short run. However, given the business resiliency of NRC Group's business model, as painstakingly explained in this write-up, the downside is very much minimal or zero – our model yields an upside 1.3% in the oil price crisis case.

Conclusion:

It's always difficult to know what you're going to get when you make an investment in a SPAC. In this case, we believe we've identified a high quality business, poised for sustainable growth and margin expansion at a deep discount to peers. We always ask, why is the seller selling, but in this case, they are doing so for a very good reason, and look to be re-upping their investment through their 4th Fund. Notably, Hennessy's track record in buying Bluebird from exceptionally smart money (Cerberus) is a case study in the potential for a SPAC to be a win-win for all parties involved.

We believe that NRC has outlined forecasts that are highly achievable, and based on our due diligence, potentially significantly conservative. In our view, the combination of beating and raising numbers, near-term accretive acquisitions, and analyst coverage in coming weeks/months (the company has already hosted a well-attended sell-side analyst day) should serve the company well in garnering significant buyside interest and stock price appreciation in the short-term.

While NRC will start with the lowest multiple in its peer group, we believe that looking out several quarters the narrative could change dramatically as the company enjoys faster growth and more meaningful margin expansion than its comps. We believe NRC offers a compelling asymmetric investment opportunity, and will prove to be an excellent investment.

[1] Defined as EBITDA – Maintenance Capex.

[2] Note that despite the revenue and EBITDA increasing for each standalone business, the consolidated adjusted EBITDA declined in 2016 due to acquisition expense and management restructuring in the Domestic Environmental Services segment.

[3] Blue Bird Announces Refinancing of Term Loan and Revolving Credit Facility