

The Square One Case

Executive Summary

PhiCap, in partnership with Square One, faced challenges completing a multimillion-dollar project due to unforeseeable circumstances. Executive leaders were tasked with determining how best to pivot their strategy to bring the project to completion.

Background

PhiCap helps energy transition and industrial asset companies manage and source capital, preparing them for growth, capital transitions, and society-changing impact on the world's energy. Making connections in the energy sector to investors and talent specialists, PhiCap serves as an executive partner to young, growing companies. From accounting to marketing and business development, PhiCap inserts their expertise where organizations need it most.

PhiCap's mission is clear: to transition the world toward cleaner energy solutions. The company prioritizes personal connections with clients, building relationships that foster trust and partnership. Values at PhiCap include: 1. Talk less. Act more. 2. Tell the truth and say it straight. 3. Together through challenge and triumph, and 4. Professional without pretension.

PhiCap partnered with Square One, a company whose goal was to address the disposal of motor oil. In the US alone, only 1/3 of motor oil is disposed of properly; the other 2/3 are wrongly burned. Square One had a big plan with tested research about how to convert the motor oil to clean fuel that could be used for ships. As of early 2020, they had already secured a facility on the Delaware waterfront, but they lacked some executive experience and capital funding PhiCap partners could provide.

PhiCap engaged investors who bought into a \$150 million plan for clearing the site and building the facility. The expectation was that the process would take 12-24 months. Investors included personal friends and business associates of the PhiCap partners.

Despite early optimism, the project faced significant setbacks. Within a few months of raising the capital, environmental and regulatory issues with the location began to arise. Being on the water created challenges for building the structure required, and the depth of the water limited the boats the company could serve. To develop a functioning organization, engineers reported the cost would be 2x's the original plan. PhiCap decided to engage investors and pursue additional investment.

Fortunately, another location became available that was across the water in New Jersey and closer to the Philadelphia Airport. The new location provided deeper water for the ships but still required a pivot with investors and the many partners engaged in the current project. A move would still require additional capital investment. If pursued, the project would cost \$500 million.

In late 2021, the lengthy delays and the increasing demand for services, the engineering firm hired to build the location was lost to other projects. After over 20 months, construction had not started. The disconnects between the new requirements and the initial investors' expectations were significant.

Case

As funds ran low and investor confidence faltered, PhiCap had to act. Options included continuing through this latest setback by engaging a new engineering firm and seeking additional capital investment or refocusing their resources on other available partnerships, telling investors their funding was lost. Given the challenges and options, how should PhiCap proceed?