



MONDAY, MARCH 24, 2008

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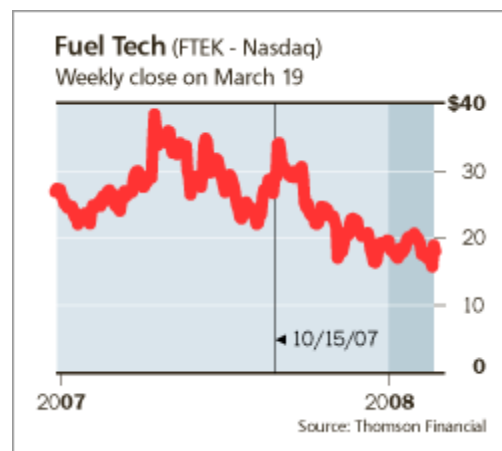
### Keeping the Faith in Fuel-Tech

**WE'VE BEEN DEAD WRONG ON FUEL-TECH SO FAR.** Yet we still think the tiny air-pollution-control company is well-positioned to win as power plants and utilities look to cut noxious emissions. At a recent 19, Fuel-Tech (ticker: FTEK) has fallen 28% since *Barron's* recommended the green stock last fall ("The Sweet Smell of Success," Oct. 15, 2007).

Yes, the high-valuation shares got slammed by lower-than-expected quarterly results, competition concerns -- most notably from General Electric (GE) -- and volatile stock markets. And investors such as Jackson Robinson of the Winslow Green Growth Fund have bailed.

But we, while chastened, are inclined to be patient. We're fully cognizant of the lumpiness of the business, potential competition and high valuation: With shares at 33 times the Street's view of 58 cents for '09, management has little room for error.

Further, our expectations are more modest. It may take Fuel-Tech longer to reach our 40 target. But the shares could recover a lot over the next year if orders keep pace, management beats newly reduced earnings forecasts and markets stabilize.



Regulations to spur spending on air-pollution are still in place, China remains a promising market and Fuel-Tech, much as we predicted, keeps winning contracts. Indeed, backlog stood at a record \$28 million at the end of 2007, and Chief Executive John Norris tells *Barron's* that the company expects to surpass the 13 Fuel-Chem customers it added last year.

We're also encouraged that recent fourth-quarter results beat expectations; and management's guidance on earnings, ranging from 33 cents to 39 cents for this year on revenue of \$88 million to \$93 million, looks conservative. Another positive: Norris and other insiders have been buying the shares recently.

- Christopher C. Williams