



Fuel Tech's outlook positive for 2008

Monday, March 10, 2008

By JONATHAN BILYK - jbilyk@kcchronicle.com

-- BATAVIA – A local manufacturer of air pollution control technology hopes that its most recent financial results translate into a happy 2008.

Batavia-based Fuel Tech said that revenue coming into the company soared in the last three months of 2007. For the fourth quarter, Fuel Tech logged record revenues of \$32.6 million, an increase of 80 percent from the \$18.1 million recorded in the same period in 2006.

Profits for the quarter stood at \$5.2 million, compared with \$1.5 million a year earlier.

Fuel Tech specializes in the manufacture of systems to reduce emissions from coal-fired power plants.

Fuel Tech Chief Financial Officer Vincent Arnone said the figures represented a quarterly revenue record for the company.

"Our previous high in a quarter before was \$20 million," Arnone said. "So we just blew that one away."

The fourth-quarter performance erased lackluster performances in each of the first three quarters in 2007.

"We had a slower start to 2007 than we had anticipated," Arnone said. "And it was a disappointment to us here internally, as well as externally."

Arnone said the fourth quarter surge was directly attributable to the same cause as the sluggishness of the first three quarters.

"The primary factor was delayed orders," Arnone said.

As talk of stricter emissions regulations swirled in the federal government, Arnone said the utility companies that were Fuel Tech's main customers delayed decisions on how much they would buy from Fuel Tech.

"It was a record year of contract signings for us," Arnone said. "But almost all of them moved across our books in the second half of the year.

"So we got a little burned by the utilities' action, or inaction, as it were."

For the year, Fuel Tech took in \$80.3 million, an increase of 7 percent from 2006, when the company's revenues were \$75.1 million. Profits for the year were \$7.2 million, compared with \$6.8 million in 2006.

The annual revenue figures fell short of Fuel Tech's 2007 expectations. The company had hoped to bring in more than \$90 million last year.

Arnone said the unusual circumstances in 2007 made it unlikely that the company could duplicate its fourth-quarter performance at any point in 2008. But he said the company already had \$28 million in delayed orders, or orders that should appear in Fuel Tech's financial books in the next six to nine months.

He said the company issued guidance suggesting estimated revenues of \$88 million to \$93 million in 2008.

Although Fuel Tech has begun finding buyers in foreign markets, and especially China, most of the company's revenue growth still will come from U.S. buyers for the next two years or more, Arnone said.

"We expect good things in 2008," he said.