

## Best of the Best: Today's Top Investment Ideas

### Fuel Tech (FTEK) A 'green' play on cleaning coal

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"The air in China is so polluted in the country's largest cities that I don't even bother to book hotel rooms above the 10th floor anymore because you can't see anything," says **Tony Sagami**.

The editor of **The Asia Stock Alert** explains, "One culprit is coal-powered plants, which provide around 80% of China's electricity." And one "green" company that can help with this pollution, the advisor says, is [Fuel Tech](#) (NASDAQ: [FTEK](#)).

"According to the European Space Agency indisputable satellite images, China has the planet's worst levels of air pollution. The World Bank said China is home to 16 of the planet's 20 most air-polluted cities.

"Coal-powered plants translate into some very dirty air – and a very big opportunity for someone who can help clean up China's extremely polluted air. Further, governments around the world are focusing on reducing greenhouse gasses. That's where Fuel Tech comes in.

"Fuel Tech provides boiler optimization, air pollution reduction, and cleaning solutions. In simple terms, Fuel Tech helps coal-powered utilities reduce the amount of pollution they throw into the air and operate more efficiently.

"Its Nitrogen Oxide (NOx) Reduction Technology cleans the emissions from boilers, incinerators, furnaces and other stationary combustion sources before going into the air. Meanwhile, the boilers and furnaces at utilities themselves get clogged with residue (called slag) from the burning process that can foul or corrode the incinerators.

"The Clean Skies Act of 2003 requires that power utilities reduce its carbon dioxide emissions by 67%, mercury by 37%, and nitrogen oxide by 25% by 2018. There are 1,500 coal-fired power plants in the U.S. and the Edison Electric Institute estimates that the government will spend \$40 billion during the next decade to clean up the air.

"How much of that can Fuel Tech grab? That's impossible to tell, but I do believe that Fuel Tech could capture 25% to 33% of those plants as customers and since it receives roughly \$1 million in recurring fees from each installed system, its profits and stock price could easily triple by the end of this decade.

"Add in the 1,000 coal plants in China and India and the market for Fuel Tech products could easily top \$100 billion. 2018 may sound a long ways off, but utility companies aren't going to wait until the last minute to meet the clean air regulations and Fuel Tech is going to have more business than it can handle over the next decade.

"Fuel Tech helps utilities increase profits. The NOx Reduction Technology division may get all the attention for cleaning the air, but the big reason utility executives want to do business with Fuel Tech is that its other division, FUEL CHEM, helps them make more money!

"Looking ahead, China will be a boom to profits. Fuel Tech has been awarded a \$9.3 million contract for four newly constructed coal-fired plants from China Huaneng Group, the largest coal-based power generator in China. So you can bet that this is just the tip of the iceberg of Chinese orders for Fuel Tech.

"China is opening the equivalent of two coal-fired plants a week and will double its coal consumption within ten years. The Chinese are now taking serious steps to reduce smog and acid-rain and are not about to show a dirty face to the rest of the world during the upcoming Olympics.

"Financially, Fuel Tech is sitting on \$1.46 per share of cold hard cash and has only \$1.3 million of debt. And, out of 22 million shares outstanding, insiders own 25% of the shares, with 21% of the shares held by short sellers.

"The stock zoomed to \$38 during the summer but got clobbered after reporting disappointing results in August. The problem was some order delays, higher than expected start-up costs at some new contracts, and a decrease in backlogged orders.

"Those problems are nothing more than short-term speed bumps because business has been rolling in since then. Even Fuel Tech CEO Ralph Bailey thinks so because he bought 50,000 shares in December, bringing his stake to 4,612,400 shares.

"Believe me, there is a lot of green to be made by helping utilities go green and Fuel Tech is going to make a mountain of it. Fuel Tech is currently trading in the low \$20's but I think it will at least double and likely triple by the end of this decade."