

VICOM LTD.

ONE-OFF BOOST HIDES STRATEGY & GOVERNANCE ISSUES

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CORPORATE
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VICOM (the “Company”) delivered strong set of results for 2025. However, this was driven by the on-board unit (“OBU”) business mandated by the government. The key question is whether this was a one-off event, as OBU installation has hit 93% as of 6 February 2026. There are also a number of unanswered questions, due to the very limited transparency from the company.

Corporate Monitor Ltd (CML) issued a [report on VICOM](#) in August 2025, where we raised questions about:

- Its diversification into the non-vehicle testing services which have not resulted in much growth but needed substantial capital expenditure (“capex”) (~S\$27 million over 3 years).
- Its refusal to provide segment financials on the non-vehicle testing services which was over 53% of total revenue in 2024, based on CML’s research.
- Its insistence on using all equity to fund capex, most of which was for the non-vehicle testing services division.
- Low dividend declared, despite a cash balance of S\$57.9 million as of December 2025. In fact, VICOM could have declared a higher dividend by reducing its capex on the non-vehicle testing business and/or judiciously using some debt.

Is 2025 repeatable?

VICOM’s revenue increased by 40% year on year to S\$167.4 million and net profit increased by 45.1% to S\$42.5 million in 2025. This is very significant as VICOM’s revenue and profit have both stagnated in recent years. VICOM attributed this to the OBU installation. The deadline for the installation is 1 January 2027. Given that 93% of car owners have already installed the OBU as of 4 February 2026, the boost to VICOM is likely to be very limited in 2026.

However, it is hard to know if 2025 results are repeatable because VICOM did not provide breakdown of the non-vehicle testing business. Since the annual vehicle inspection business has not grown due to Singapore’s static car population, non-vehicle testing is the only potential growth area, once the OBU business is phased out. It is therefore indefensible for VICOM not to provide segment financials and more information about this business. VICOM is also not in compliance with FRS 108.

Cash Flow and Debt

It is also clear from VICOM’s 2025 financials that the Company continued to have zero debt. Capex in fact increased by S\$27 million year on year, hitting S\$39 million in 2025, but as per VICOM’s corporate finance practice, this was funded by operating cashflow, which is essentially equity. It was fortunate that VICOM’s operating cashflow increased by S\$23 million in 2025 thanks to the OBU business. However, VICOM could have used debt to at least partially fund the capex, and declare a special dividend.

Capex

VICOM incurred a lot of capex for the non-vehicle testing business but has not achieved much.

For a business with stagnant revenue until 2025, VICOM has incurred capex totalling S\$33.6 million from 2022 to 2024. Our analysis found that most of this capex was incurred by the non-vehicle testing business totalling S\$27 million. The capex to revenue ratio for this division was 14% during these 3 years. Despite such capex, the non-vehicle testing business did not even grow its revenue from 2022 to 2024.

Shareholders are entitled to know the return on such capex. If capex continued to be spent on the non-vehicle testing business, it will be dilutive to shareholders if the return on such capex is low. We cannot calculate an accurate return on such capex because segment financials are not provided. However, based on the stagnant revenue and profit of the non-vehicle testing business from 2022 to 2024, such return is minimal if not negative. (Net profit of the non-vehicle testing business, in fact, dropped from S\$5.5 million in 2022 to S\$4.7 million in 2024).

Based on CML's analysis, the non-vehicle testing business has several unfavourable characteristics:

- Profit margin is low at 7.3% in 2024, much lower than VICOM's overall margin of 24.5%. In other words, the non-vehicle testing division is a massive drag on VICOM's profit since it accounted for 53% of overall revenue.
- Such business is likely project-based, which means that it is hard to grow, not to mention that revenue and profit can be volatile. The non-vehicle testing revenue in fact declined year on year in 2024. Unlike vehicle inspection which is mandated by the government, VICOM has to win and renew contracts for its non-vehicle testing business.
- The inability to scale means it is hard to improve the division's profit margin. If a business has a standardised product or service, and revenue is recurring and growing, it is easier to attain economies of scale and hence generate a higher profit margin. A project-based business has none of these benefits.
- The inability to scale could also mean asset efficiency is low. VICOM might have built a testing lab, for example, to offer certain testing services. However, if it could not earn a recurring and growing revenue, the utilisation rate for such a lab would be low, thereby dragging down VICOM's return on equity (ROE).

In fact, the preferred way to achieve a better ROE for such capex for the non-vehicle testing business is the judicious use of debt, provided of course that the return on the capex is at least decent. VICOM does not have a good reason for its refusal to use debt prudently, and such refusal is compounding the problems associated with the negative characteristics of the non-vehicle testing business.

Dividend

Excluding the one-off OBU business, VICOM's profit and cash flow have been good although stagnant. To fund the increasing capex to build up the non-vehicle testing business without incurring debt, VICOM reduced its dividend payout ratio to 70% in 2023. This move hurt shareholders immediately in terms of lower dividends, and also in the medium term because such cash was used to fund capex for the non-vehicle testing business that produced no additional profit and cash flow.

With the one-off increase in profit and cash flow in 2025, VICOM could declare a one-off dividend¹. However, VICOM once again diverted the additional cash flow to fund capex for the non-vehicle testing business.

CML is of the view that VICOM should lift its dividend payout by reducing capex and/or using some debt. Our recommendation is based on the fact that VICOM's core business of vehicle inspection is stable, profitable, and cash flow generative. This is an ideal business profile to benefit from a judicious use of debt.

Conclusion

VICOM benefited from the boost of the OBU business in 2025, but it is hard to tell if this can be repeated in 2026. There is no visibility as to whether the growth of the non-vehicle testing business can make up for the one-off boost of OBU project. The refusal to provide segment financials for the non-vehicle testing is poor disclosure policy and is violating Financial Reporting Standard (FRS) 108. With Singapore interest rates expecting to bottom out by the second quarter of 2026, VICOM has no excuse to continue eschewing debt financing.

The refusal to use debt and increase its dividend are clear evidence that VICOM does not care about shareholder value.

¹ A one-off dividend is more appropriate as the OBU business performance is not repeatable in 2026.