May 19, 2025

# Zacks Small-Cap Research

*Sponsored – Impartial - Comprehensive*

M. Marin
312-265-9211
mmarin@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

## SBC Medical Group Holdings (SBC-NASDAQ)

### SBC: 1Q25 Results Likely Reflect Benefits Recent Initiatives; New Share Buyback Plan

SBC's 1Q25 results likely reflect benefits of recent initiatives to boost efficiencies and profitability, as well as 1-time benefits. Despite a 14% y/y revenue decrease to $47m, primarily reflecting divestiture of non-core businesses (PF revenue would have been up), EPS of $0.21 was up 5%. The repeat customer rate – customers who visited SBC clinics 2x or more – remained high at 71%.

### OUTLOOK

SBC has implemented strategic price revisions to drive customer growth & has revised its franchise fee structure to ramp as franchisees ramp their services, customer bases & revenue. Additional initiatives include enhanced focus on a broader range of market niches, new service offerings, leveraging a multi-branded approach to expanding service offerings and expanding its footprint domestically & internationally. SBC also recently authorized a share repurchase program of up to US$5m, with buybacks potentially beginning this month.

| | |
|---|---|
| Current Price (5/16/25) | $3.47 |
| **Valuation** | **6.01** |

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **NA** |
| **52-Week Low** | **$2.62** |
| **One-Year Return (%)** | **NA** |
| **Beta** | **NA** |
| **Average Daily Volume (sh)** | **30,893** |
| **Shares Outstanding (mil)** | **104** |
| **Market Capitalization ($mil)** | **$359** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **61** |
| **Insider Ownership (%)** | **64** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **7.2** |
| **P/E using 2025 Estimate** | **5.5** |
| **P/E using 2026 Estimate** | **N/A** |

| | |
|---|---|
| **Risk Level** | **N/A,** |
| **Type of Stock** | **Small-Growth** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2022 | | | | | 174 A |
| 2023 | 43 A | 41 A | | | 194 A |
| 2024 | 55 A | 53 A | 53 A | 44 A | 205 A |
| 2025 | 47 A | 47 E | 49 E | 49 E | 192 E |

**EPS / Loss Per Share**

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2022 | | | | | 0.79 A |
| 2023 | 0.06 A | 0.11 A | 0.09 A | 0.15 A | 0.42 A |
| 2024 | 0.20 A | 0.20 A | 0.03 A | 0.06 A | 0.48 A |
| 2025 | 0.21 A | 0.14 E | 0.15 E | 0.15 E | 0.65 E |

Quarters might not sum due to rounding & share counts

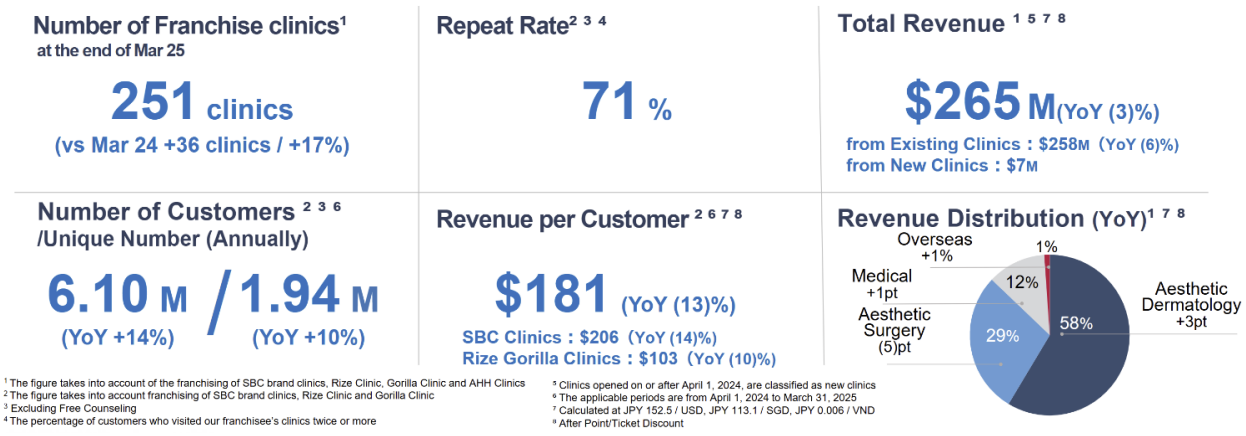
Disclosures on page 10 '23/24 PF

© Copyright 2025, Zacks Investment Research. All Rights Reserved.

## 1Q25 RESULTS LIKELY REFLECT BENEFITS OF RECENT INITIATIVES

### *Despite lower revenue, EPS improved 5% y/y*

SBC Medical Group Holdings (SBC-NASDAQ), which provides end-to-end solutions enabling aesthetics clinics to launch, expand and/or operate their businesses, announced 1Q25 results last week. Total revenue of $47 million decreased 14% year-over-year. A decline was anticipated, primarily reflecting divestiture of non-core business lines and industry challenges. The company indicated that pro forma for divestures, revenue would have been higher in 1Q25. The repeat customer rate – customers who visited franchisee clinics twice or more – remained at a high 71% and existing clinics recorded total revenue of $258 million, with new clinics adding an incremental $7 million, as illustrated below.



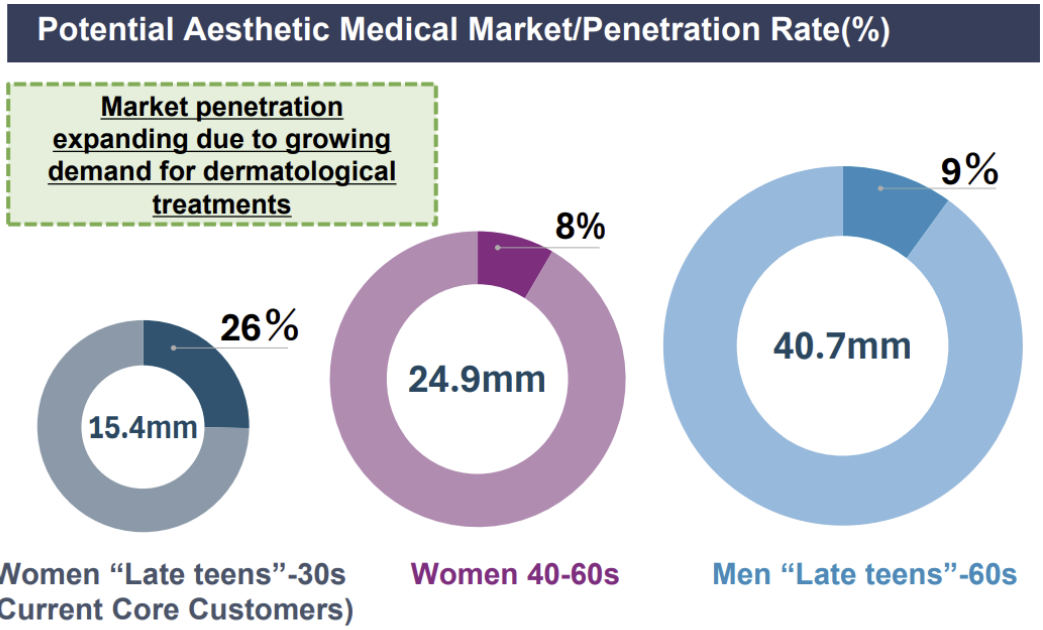

Source: Company presentation

SBC's 1Q25 revenue exceeded our $45 million forecast, while direct costs of $9.6 million was lower than our $10.9 million estimate. As a result, gross profit of nearly $38 million decreased by about 4.5%. Net Income attributable to SBC Medical Group advanced 15% year-over-year to $22 million, despite the lower revenue, and EPS of $0.21 increased 5%. 1Q25 net income attributable to SBC included the positive $8.7 million impact of life insurance maturity reversals.

SBC expects to offset the impact of increased competition and other industry challenges with recent and/or planned initiatives. For example, SBC has implemented strategic price revisions designed to drive customer growth, especially in aesthetic dermatology. The company also revised its franchise fee structure beginning in April 2025 to make it easier financially for franchisees to join its network as they ramp services and customer bases, with a tiered fee system aligned with scale.

### *Enhanced focus on certain market niches and new service offerings*

Other initiatives include that SBC expects to maintain a multi-branded approach to expanding and operating its footprint in order to make aesthetic treatments more affordable to broader groups of the population and concurrently maintain a luxury brand offering for certain niches. With the multi-branded approach to expanding and operating its footprint, SBC's affiliated Shonan Beauty Clinic operation intends open SBC NEO Skin Clinic Ebisu under a new brand designed to make aesthetic treatments more affordable to broader groups of the population. By providing comparable skincare solutions domestically, SBC expects to attract people who sought treatment abroad before, particularly in South Korea. This new brand represents a strategic shift from traditional surgical procedures to non-invasive dermatological treatments.

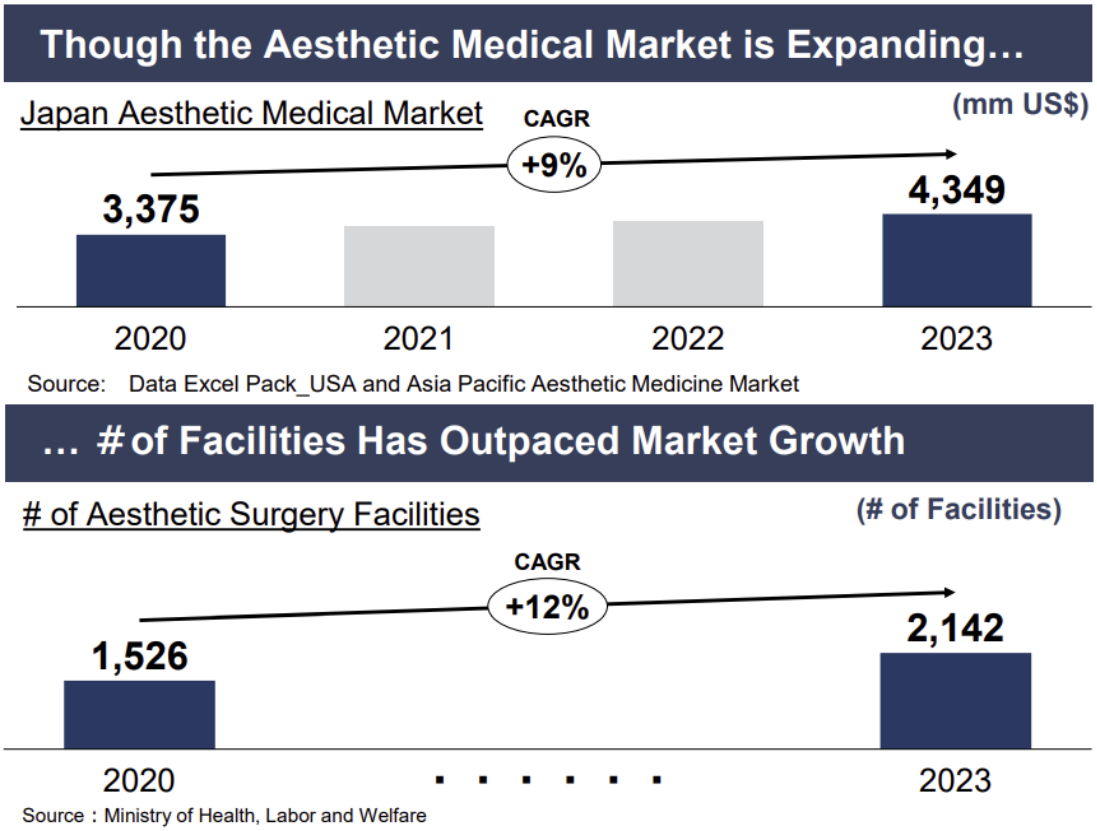



Source: Company estimates based on data from the Ministry of Internal Affairs and Communications and Recruit Hot Pepper Beauty Academy (Based on the # of patients treated over the last 3 years) as of December 2024

Source: Company presentation

While SBC expects to maintain some level of discounting on certain services in order to remain competitive, the company intends to raise prices on medical hair removal services as that market consolidates. The company is optimistic that this represents a source of growth for SBC with substantial upside potential, as currently only about 9% of adult men utilize these services but a growing number of men increasingly interested in aesthetic procedures, particularly for hair replenishment.

Moreover, as the population ages, SBC sees new services such as orthopedics as additional expected growth drivers. At the same time, the company is enhancing its multilingual support to be responsive to visitors from China and other countries seeking treatment and also using social media as an outreach tool to accelerate customer acquisition efficiently.




Source: Company presentation

### *Aesthetic dermatology market expected to continue expanding in 2025*

SBC plans to maintain its footprint growth strategy. The number of customers served in 1Q25 reached 6.1 million, up 14% year-over-year. Total revenue per customer, however, was impacted by the strategic price initiatives amid an intensified competitive backdrop. SBC expects the aesthetic dermatology market to continue expanding in 2025. In Japan, demand for aesthetic medical treatments has grown in recent years, partially reflecting the impact of social media, with celebrities and influencers publicizing their own cosmetic procedures. Moreover, demographic trends including changes in the average age of the population, as well as lifestyle and other changes are also factors driving demand for aesthetic medical services. Younger and middle age people appear to be more interested in elective cosmetic procedures. Strong market dynamics have attracted new entrants and the growth in the number of clinics operating in the market has outpaced overall revenue expansion, making conditions more competitive.

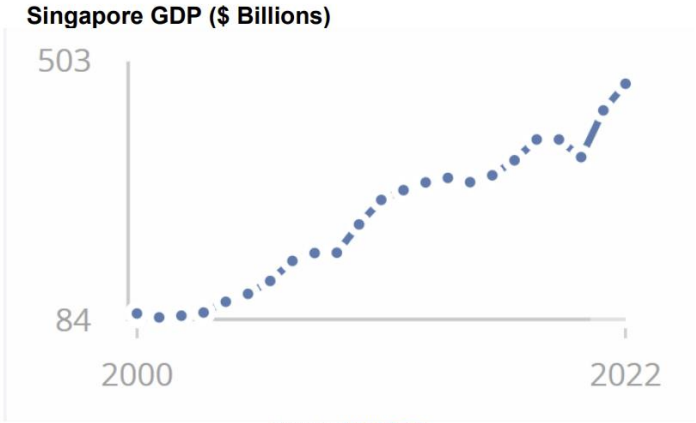
SBC expects the aesthetic dermatology market and competition to continue expanding in 2025. The company intends to maintain strategic pricing and other tools in order to maintain its strong market position. The company also plans to revise its franchise fee structure beginning in April 2025 to make it easier financially for franchisees to join its network as they ramp services and customer bases and plans to introduce a tiered fee system that aligns with the scale, as well as the consulting services SBC provides. SBC is also considering acquiring shares of an operation that supports its clinics from its CEO.

### *International footprint has grown, with further expansion targeted*

Other recent steps the company has taken to support its growth strategy include international expansion. Currently, in addition to its operations in Japan, SBC also owns and operates treatment centers in Ho Chi Minh City, Vietnam and in California and Singapore, with the recent acquisition of Singapore-based AHH, which owns and operates several brands that provide aesthetic medical treatments, including family clinics, and quick facial aesthetics outlets. SBC is encouraged by its results at its international operations and intends to expand further in these and potentially additional Asian markets.

The company expects to be strategic in its market selection process as it expands both domestically and internationally, with the intention to launch new clinics in both new and existing markets to reinforce its market position. In general, SBC's goal is to leverage the expertise it has developed through more than 20 years of operating history in order to expand geographically and into adjacent areas within certain fields. The company believes that AHH can accelerate its global expansion strategy and increase its footprint in Asia, a strategy that is in the early stages. In the U.S., SBC is exploring growing a MedSpa presence on the west coast and expanding further within the market through strategic M&A.

AHH represents SBS's initial measure to grow through strategic M&A. The AHH acquisition expanded SBC's international footprint to 23 sites. The company believes Singapore can be a key market from which to launch further expansion in the region. Reflecting its strategic location, economic growth and substantial FDI, more than 4,500 U.S. companies are registered in Singapore, according to the U.S. State Department. Singapore's economy has expanded significantly over the past two decades. GDP was above US$466 billion in 2022, according to the World Bank, which also notes that the "country provides one of the world's most business-friendly regulatory environments for local entrepreneurs and is ranked among the world's most competitive economies." This likely portends well for increasing demand for aesthetic services, in our view.




Source: World Bank

Moreover, Singapore attracts substantial amounts of U.S. foreign direct investment (FDI), which in 2020 totaled $270 billion, making the U.S. the largest foreign investor in Singapore. Singapore received more than twice as much U.S. FDI compared to other Asian countries. Singapore's proximity to Southeast Asia's developing economies also makes it an important hub for multinational corporations, while the Singapore government also is investing heavily in automation, artificial intelligence (AI), integrated systems and sustainability, among other areas and Singapore is expected to remain a leading global international financial center for investment banking, wealth management and asset management, according to S&P.

## VALUATION

We believe that although there are companies that provide some services that are similar to those that SBC offers to entities within the healthcare space, it is difficult to compare SBC shares to those of other publicly traded companies, as there does not seem to be a direct and comprehensive competitor, particularly given SBC's focus on the growing medical aesthetics space. Nevertheless, using other companies related to the medical aesthetics space or which provide solutions to the healthcare sector, there is a wide range of price-to-sales (P/S) multiples, ranging from as low as 0.45x to 1.0x or higher. We have also adjusted our 2025 model based on our takeaways from 1Q25 results.

### *Potential initiatives to improve trading liquidity of shares*

We believe using a P/S multiple at the lower end of the above noted range and applying a roughly 32% confidence factor is appropriate at this point given certain industry challenges. On this basis, on our 2025 topline forecast, we derive a near-term valuation of about $6. If SBC can deliver on its growth initiatives, in success we would anticipate share price appreciation over time. As the company adds new clinics and continues to broaden its offerings, we expect it will translate into multiple expansion. We also believe the company's goal to improve the trading liquidity of its shares could lead to multiple expansion, as well, particularly if the company implements a dividend for shareholders. The company has a strong cash position, ending 1Q25 with cash and equivalents of $132 million, compared to $125 million at year-end 2024.

SBC also recently authorized a share repurchase program of up to US$5 million, with repurchases expected to begin as early as May 20, 2025. The company expects to issue shares as future stock-based compensation in proportion to the number of shares it repurchases and is also considering dividend payments to enhance total shareholder returns and deferring new Bitcoin purchases.

Any delay or failure in successful execution of the strategy could represent a potential risk to the company's valuation and cause the share price to decline. The company believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon.

## RECENT NEWS

- SBC reported 1Q25 results on May 15, 2025 and announced a share repurchase program.
- SBC announced a Bitcoin strategy on February 2, 2025, but has deferred further Bitcoin purchases.
- On January 1, 2025, SBC launched a translation app specialized in medical aesthetics.
- The company sold two subsidiaries on December 20, 2024.
- SBC announced an agreement to acquire AHH in Singapore on November 18, 2024.
- On November 19, 2024, SBC launched SBC Wellness to help companies deliver benefits.
- SBC filed its 3Q24 results on November 13, 2024.
- On November 7, 2024, SBC and MEDIROM formed a business alliance.
- SBC participated in the ASLS aesthetic medicine conference in September 2024.
- On 19 September, 2024, the company announced a new business partnership with B4A.

## RISKS

SBC faces the following risks, among others.

- SBC Medical is a controlled company and the interests of its majority shareholder might differ from those of public shareholders.
- In addition, the competitive nature of the aesthetic medical industry and the need to continuously upgrade technology present risks, as well.
- Industry headwinds could persist beyond longer than management anticipates.
- New initiatives could take longer than expected to gain traction or might not gain traction at all.
- Moreover, although SBC believes it has the bandwidth to support its ambitious growth strategy, growth might be constrained temporarily by limitations of its internal infrastructure and even present challenges, as apparently occurred when SBC's system of internal controls failed to detect a misappropriation of funds by a former director. Subsequently, SBC put a remediation plan in place and moreover, the company found no evidence that any other employees colluded in the misappropriations of company funds.
- Moreover, the company faces potential foreign exchange (FX) risk. Its businesses in Japan are conducted in Japanese yen. As a result, the company faces potential FX risk when it translates results into U.S. dollars for reporting purposes. In fact, unfavorable FX rate changes have impacted the company's 2024 results to-date.
- The potential issuance of equity or warrants exercise by existing security holders could be dilutive.

## FINANCIAL MODEL

### SBC Medical Group Holdings

**SBC Medical Group Holdings (US$)**

| | 1Q24 | 2Q24A | 3Q24A | 4Q24A | 2024A | 1Q25A | 2Q25E | 3Q25E | 4Q25E | 2025E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total revenue | 54,808,042 | 53,102,080 | 53,084,883 | 44,420,537 | 205,415,542 | 47,328,701 | 46,942,239 | 48,838,092 | 48,684,909 | 191,793,941 |
| Cost of revenues | 15,288,667 | 13,682,405 | 9,845,793 | 10,548,170 | 49,365,035 | 9,595,617 | 9,857,870 | 10,255,999 | 10,223,831 | 39,933,317 |
| Gross profit | 39,519,375 | 39,419,675 | 43,239,090 | 33,872,367 | 156,050,507 | 37,733,084 | 37,084,369 | 38,582,093 | 38,461,078 | 151,860,623 |
| Operating expenses: | | | | | | | | | | |
| S,G&A | 15,058,490 | 12,129,115 | 16,597,032 | 13,880,503 | 57,665,140 | 13,531,010 | 14,047,569 | 14,131,854 | 14,216,645 | 55,927,078 |
| Other | - | | 12,807,455 | 15,274,202 | 28,081,657 | - | - | - | - | - |
| Misappropriation loss | - | - | - | - | - | - | - | - | - | - |
| Total operating expenses | 15,058,490 | 12,129,115 | 29,404,487 | 29,154,705 | 85,746,797 | 13,531,010 | 14,047,569 | 14,131,854 | 14,216,645 | 55,927,078 |
| Operating income | 24,460,885 | 27,290,560 | 13,834,603 | 4,717,662 | 70,303,710 | 24,202,074 | 23,036,800 | 24,450,239 | 24,244,432 | 95,933,545 |
| Interest income | 17,689 | 11,644 | 7,950 | | 19,943 | 55,333 | | | | |
| Interest expense | (3,008) | (7,424) | (5,466) | | (28,300) | (6,207) | | | | |
| Other income | 349,681 | 306,291 | 65,922 | | 4,810,008 | 151,328 | | | | |
| Other expenses | (1,436,656) | (514,636) | (795,158) | | (5,463,153) | (1,697,259) | | | | |
| Gains | 3,813,609 | - | - | - | 3,813,609 | 8,746,138 | - | - | - | - |
| Total other inc (exp) | 2,741,315 | (204,125) | (726,752) | 1,341,669 | 3,152,107 | 7,249,333 | 176,364 | 169,309 | 162,537 | 7,757,544 |
| Pretax income | 27,202,200 | 27,086,435 | 13,107,851 | 6,059,331 | 73,455,817 | 31,451,407 | 23,213,164 | 24,619,548 | 24,406,970 | 103,691,089 |
| Taxes | 8,451,984 | 8,529,110 | 10,273,384 | (488,553) | 26,765,925 | 9,959,457 | 7,660,344 | 8,124,451 | 8,054,300 | 33,798,552 |
| Net income | 18,750,216 | 18,557,325 | 2,834,467 | 6,547,884 | 46,689,892 | 21,491,950 | 15,552,820 | 16,495,097 | 16,352,670 | 69,892,537 |
| Non-controlling interest | (7,536) | 72,917 | 1,573 | 8,663 | 75,617 | (10,496) | (6,999) | (7,423) | (7,359) | (32,276) |
| Net to SBC | 18,757,752 | 18,484,408 | 2,832,894 | 6,539,221 | 46,614,275 | 21,502,446 | 15,559,819 | 16,502,520 | 16,360,028 | 69,924,813 |
| EPS | $2.36 | $2.33 | $0.03 | | | | | | | |
| EPS PF | $0.20 | $0.20 | $0.03 | $0.06 | $0.48 | $0.21 | $0.14 | $0.15 | $0.15 | $0.65 |
| Avg shares out (mn, 1Q, 2Q '23 not PF) | 94,192,433 | 94,192,433 | 95,095,144 | 102,764,154 | 96,561,041 | 103,276,637 | 103,611,231 | 103,276,617 | 103,611,211 | 103,443,924 |

Source: Company reports, Zacks estimates

© Copyright 2025, Zacks Investment Research. All Rights Reserved.

## HISTORICAL STOCK PRICE




Source: Yahoo Finance

© Copyright 2025, Zacks Investment Research. All Rights Reserved.

## DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, M. Marin, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.