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Zacks Small-Cap Research

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SBC Medical Group Holdings (SBC-NASDAQ)

SBC: 2Q25 Headwinds Were Expected; Initiatives to Combat Challenges Underway

SBC reported 2Q25 results last week. Lower y/y results were expected, reflecting headwinds that SBC is working to overcome, with multiple organic strategies to counter intensifying competition complemented by strategic M&A. Over time, SBC expects to segment the market across multiple brands & price points, and garner more market share overall.

Current Price (8/18/25)	$4.24
Valuation	**$6.50**

OUTLOOK

SBC appointed a new Chief Marketing Officer effective July 1, 2025, to raise awareness of its growing portfolio of brands. The company is optimistic that its revised pricing, promotional and fee strategies will support strong growth over time, despite some potential short-term constraint. The company is also optimistic about generating new / growing revenue streams from international customers, both through greater outreach to medical tourists and by expanding its global footprint. SBC is encouraged by results at its existing international operations and recently appointed Dr. Steven R. Cohen as Medical Strategy Advisor to help advance its global expansion strategy.

SUMMARY DATA

52-Week High	**NA**
52-Week Low	**$2.62**
One-Year Return (%)	**NA**
Beta	**1.27**
Average Daily Volume (sh)	**126,256**
Shares Outstanding (mil)	**104**
Market Capitalization ($mil)	**$430**
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	**13.3**
P/E using 2025 Estimate	**8.0**
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	43 A	49 E	49 E	188 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	0.02 A	0.15 E	0.15 E	0.53 E

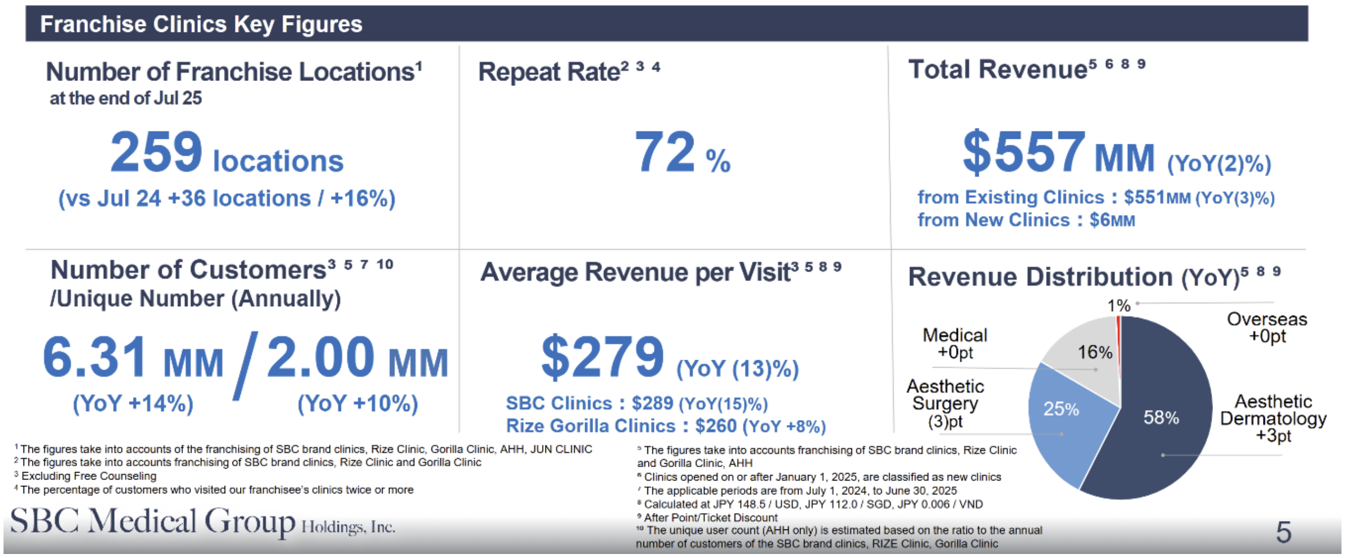
Quarters might not sum due to rounding & share counts

Disclosures on page 8 ’23/24 PF

2Q25 HEADWINDS EXPECTED; INITIATIVES TO COMBAT CHALLENGES UNDERWAY

Company positive about impact of new service offerings, pricing revisions, other measures

SBC Medical Group Holdings (SBC-NASDAQ), which provides end-to-end solutions enabling aesthetics clinics to launch, expand and/or operate their businesses, reported 2Q25 results last week. Revenue of $43.4 million declined from $53.1 million in 2Q24. Both franchise fee revenue and management services revenue were lower, offset partially by higher procurement revenue primarily due to orders from franchisees for new medical materials. On the lower revenue, 2Q25 gross profit was $30.0 million compared to $39.4 million for the same period in 2024. With OpEx increasing to $15.5 million from $12.1 million, driven by factors including growth initiatives, SBC reported net income attributable to SBC Medical Group Holdings of $2.5 million or $0.02 per share, down from $18.5 million and $0.20, respectively, in 2Q24.



Source: [Company /presentation]

The lower year-over-year results were expected, as management has previously remarked on ongoing headwinds that SBC is working to overcome, with multiple organic strategies to counter intensifying competition in Japan's aesthetic medicine market as new competitors have entered the market. For example, the company has launched a multi-brand strategy to address the increasingly diverse needs of its growing customer base. By customizing services across multiple brands, the company expects to segment the market and garner more market share overall.

Historically SBC's primary area of focus has been aesthetic medicine but the company is diversifying to support a broader range of franchisee services, which SBC expects will strengthen its position and market share within the aesthetic and specialized medical care areas. Clinics in the SBC franchise network have expanded their offerings to encompass a broad range of specialized medical services, including plastic surgery and infertility treatment. Other medical services that the company is focused on include orthopedics, ophthalmology, infertility, and health treatment, in addition to aesthetic medicine. SBC believes this will create a holistic offering that appeals to a broad range of patient needs.

MB career lounge expected to strengthen market position

The company intends to strengthen its market position both through organic measures and strategic M&A. For example, the company acquired MB career lounge, which provides management support services for medical institutions and specializes in consulting, training, and human resources solutions in

Japan. SBC expects the acquisition will enhance its management support service offerings. As a result of the acquisition, JUN Clinics – which operates six clinics – joined the SBC network.

Moreover, the company appointed a new Chief Marketing Officer (CMO), effective July 1, 2025 and implemented a pricing restructuring in March 2025. The company streamlined its pricing structure by revising both standard rates and the promotional strategies. Conversely, the company adjusted pricing upward for certain services characterized by high demand. 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 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.

The company also revised the franchise fee structure to make it easier financially for franchisees to join its network and, as they ramp services and customer bases, pay fees based a tiered fee system that aligns with the scale. This had a negative impact on 2Q25 results but SBC expects improving cost efficiency, including reduced marketing and promotional expenses, will help offset lower pricing.

Optimistic about medical tourists China & other markets

The company is optimistic about medical tourists and 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. The company is also enhancing its presence on social media, particularly in China, which management noted has led to an increase in visits and revenue from foreign medical tourists. In addition, the company is strengthening its language support infrastructure by hiring more interpreters to provide positive experiences for international customers. The company expects efforts will not only diversify revenue sources, but also will position SBC as a prime destination for medical tourists seeking aesthetic and other services.

Source: [Company /presentation]

Growing International footprint; with new Strategy Advisor further expansion expected

SBC is encouraged by its results at its international operations and recently appointed Dr. Steven R. Cohen as Medical Strategy Advisor to help the company advance its global expansion strategy. Based in California, he has more than 30 years of clinical experience, has published many scientific papers and textbooks and also is a Clinical Professor at the University of California, San Diego. SBC intends to expand further in existing and potentially additional 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.

In November 2024, the company acquired AHH, a leading provider in Singapore that operates approximately 20 aesthetic and medical locations. This acquisition marks a key milestone in the company's expansion strategy, serving as a critical hub for the company's operations across Asia. SBC expects to continue strategic expansion initiatives into neighboring countries to establish a scalable footprint across Asia. By 2027, the company expects to operate a significantly larger global footprint offering diversified medical services, with an emphasis on aesthetic medicine. 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.

Strong balance sheet

The company remains in a strong financial position with a solid cash balance and minimum debt. The company ended 2Q25 with cash and equivalents of $152.7 million, compared to $125 million at year-end 2024. This is expected to give SBC the flexibility to pursue strategic growth opportunities. The company intends to allocate available capital to organic and strategic M&A investments in Japan and internationally. SBC's strategy is to focus on expanding its clinic network, enhancing its technology capabilities, developing new services and pursuing strategic partnership or acquisitions to complement and enhance organic growth prospects.

To enhance shareholders value, the company is considering implementing a share repurchase plan and/or paying dividends. The board approved a 5-million share repurchase program. Shares repurchased would be earmarked for employee stock based compensation in the future to better align employee incentives with initiatives to deliver long-term shareholder value and retain talent. The company recently filed a prospectus for a secondary share offering by certain existing security holders. Issuing new shares and / or having existing security holders and/or the founder reduce holdings in order could inject liquidity into the float.

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.

Potential initiatives to improve trading liquidity of shares

We also believe the inclusion of SBC shares in the Russell 3000® Index June 30 as part of the 2025 Russell rebalancing as a positive. We use a P/S multiple at the mid end of the above noted range and apply a roughly 50% 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 $6.50. If SBC can deliver on its growth initiatives, in success we would anticipate share price appreciation over time.

As the company adds new clinics either organically or through M&A as with MB career lounge and continues to broaden its offerings, the company expect it will translate into multiple expansion. The company also believes 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.

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 2Q25 results on August 13, 2025.
- The company acquired MB career lounge, Co., Ltd. on July 17, 2025.
- SBC appointed Dr. Steven R. Cohen as Medical Strategy Advisor on July 14, 2025.
- SBC appointed a new Chief Marketing Officer on July 7, 2025.
- On June 27, 2025, SBC shares were added to the Russell 3000® Index.
- 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.

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.
- Growth might be constrained temporarily by limitations of its internal infrastructure.
- Moreover, the company faces potential foreign exchange (FX) risk. Its businesses in Japan are conducted in Japanese yen.
- The potential issuance of equity or warrants exercise by existing security holders could be dilutive.

FINANCIAL MODEL

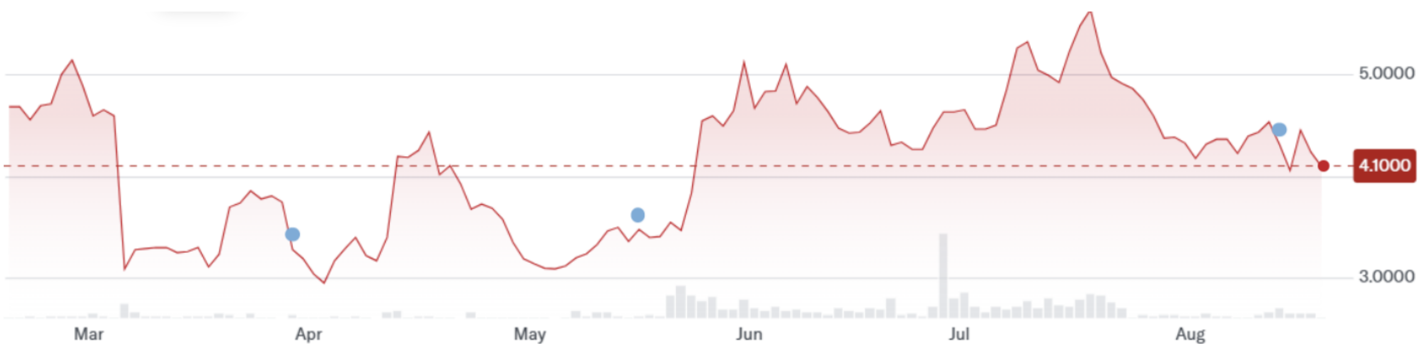
SBC Medical Group Holdings

SBC Medical Group Holdings (US$)

	1Q24	2Q24A	3Q24A	4Q24A	2024A	1Q25A	2Q25A	3Q25E	4Q25E	2025E
Total revenue	54,808,042	53,102,080	53,084,883	44,420,537	205,415,542	47,328,701	43,358,847	48,838,092	48,684,909	188,210,549
Cost of revenues	15,288,667	13,682,405	9,845,793	10,548,170	49,365,035	9,595,617	13,348,270	10,255,999	10,223,831	43,423,717
Gross profit	39,519,375	39,419,675	43,239,090	33,872,367	156,050,507	37,733,084	30,010,577	38,582,093	38,461,078	144,786,832
Operating expenses:										
S,G&A	15,058,490	12,129,115	16,597,032	13,880,503	57,665,140	13,531,010	15,456,385	14,131,854	14,216,645	57,335,894
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	15,456,385	14,131,854	14,216,645	57,335,894
Operating income	24,460,885	27,290,560	13,834,603	4,717,662	70,303,710	24,202,074	14,554,192	24,450,239	24,244,432	87,450,937
Interest income	17,689	11,644	7,950		19,943	55,333	22,882			
Interest expense	(3,008)	(7,424)	(5,466)		(28,300)	(6,207)	(49,651)			
Other income	349,681	306,291	65,922		4,810,008	151,328	33,771			
Other expenses	(1,436,656)	(514,636)	(795,158)		(5,463,153)	(1,697,259)	(1,132,465)			
Gains	3,813,609	-	-	-	3,813,609	8,746,138	111,632	-	-	-
Total other inc (exp)	2,741,315	(204,125)	(726,752)	1,341,669	3,152,107	7,249,333	(1,013,831)	169,309	162,537	6,567,349
Pretax income	27,202,200	27,086,435	13,107,851	6,059,331	73,455,817	31,451,407	13,540,361	24,619,548	24,406,970	94,018,286
Taxes	8,451,984	8,529,110	10,273,384	(488,553)	26,765,925	9,959,457	11,100,509	8,124,451	8,054,300	37,238,717
Net income	18,750,216	18,557,325	2,834,467	6,547,884	46,689,892	21,491,950	2,439,852	16,495,097	16,352,670	56,779,569
Non-controlling interest	(7,536)	72,917	1,573	8,663	75,617	(10,496)	(18,388)	(7,423)	(7,359)	(43,665)
Net to SBC	18,757,752	18,484,408	2,832,894	6,539,221	46,614,275	21,502,446	2,458,240	16,502,520	16,360,028	56,823,234
EPS	$2.36	$2.33	$0.03							
EPS PF	$0.20	$0.20	$0.03	$0.06	$0.48	$0.21	$0.02	$0.15	$0.15	$0.53
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	103,507,249	103,276,617	103,611,211	103,417,929

Source: Company reports, Zacks estimates

HISTORICAL STOCK PRICE



Source: Yahoo Finance

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