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Zacks Small-Cap Research

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SBC Medical Group Holdings (SBC-NASDAQ)

SBC: Increased Focus on Non-Aesthetic Specialties & Encouraging Results to-date of Multi-Brand Strategy

SBC's 1Q26 revenue of $43m declined 9% y/y, primarily reflecting the revised franchise fee structure implemented in April 2025. Given the 2Q26 anniversary of this change, SBC believes the impact of the fee structure changes will ease. Moreover, excluding the impact of fee revisions, pro forma revenue grew 11% y/y and pro forma EBITDA grew 17%.

Current Price (5/18/26)	$2.87
Valuation	**$7.00**

OUTLOOK

SBC is encouraged by results of its multi-brand strategy designed to address diverse customer needs, develop new services and gain market share. SBC launched NEO Skin Clinic targeting frequent visit customers & also acquired JUN CLINIC, which focuses on customers who are relatively new to aesthetic medicine. SBC also believes the competitive environment is improving & expects its margins to increase over time, in part reflecting the benefits of AI initiatives to improve the customer experience and boost efficiencies and cost optimization.

SUMMARY DATA

52-Week High	**$5.75**
52-Week Low	**$2.78**
One-Year Return (%)	**-19**
Beta	**0.61**
Average Daily Volume (sh)	**92,349**
Shares Outstanding (mil)	**103**
Market Capitalization ($mil)	**$295**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**61**
Insider Ownership (%)	**61**
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	**5.7**
P/E using 2026 Estimate	**5.9**

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)
2023	43 A	41 A			194 A
2024	55 A	53 A	53 A	44 A	205 A
2025	47 A	43 A	43 A	40 A	174 A
2026	43 A	46 E	47 E	44 E	180 E

EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	0.12 A	0.14 A	0.50 A
2026	0.11 A	0.13 E	0.13 E	0.12 E	0.49 E

Quarters might not sum due to rounding & share counts

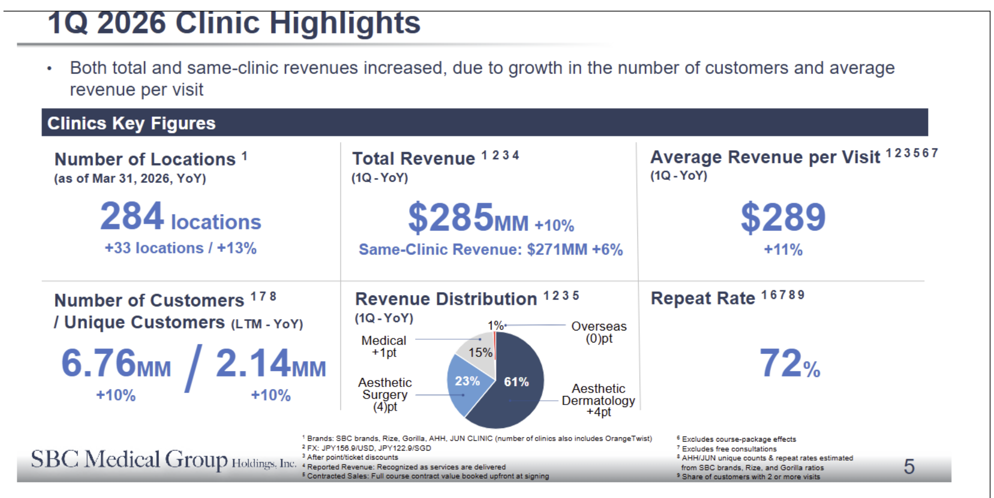
Disclosures on page 9 '23/24 PF

1Q26 HIGHLIGHTS

Pro forma revenue grew 11% year-over-year

SBC Medical Group Holdings (SBC-NASDAQ) provides end-to-end solutions enabling aesthetics clinics to launch, expand and/or operate their businesses. SBC reported 1Q26 results last week. Total revenue of $43 million declined 9% year-over-year, primarily reflecting the revised franchise fee structure implemented in April 2025. Given the 2Q26 anniversary of this change, the company believes the impact of the fee structure changes will ease.

Moreover, excluding the impact of fee revisions, pro forma revenue grew 11% year-over-year and pro forma EBITDA grew 17%. The company expects its margins to improve over time, in part reflecting the benefits of AI initiatives that are expected to improve the customer experience and boost efficiencies and cost optimization. Clinic revenue grew 10% year-over-year and same-clinic sales advanced 6% year-over-year. Net income attributable to SBC Medical Group was $11.3 million, or EPS of $0.11, versus $21.5 million and $0.21, respectively in 1Q25. The prior year quarter included a one-time gain of $8.7 million related to life insurance surrender.



Source: SBC presentation

There were 284 franchise locations as of March 31, 2026, 33 more locations compared to March 31, 2025. Some 6.76 million customers visited SBC locations in the 12-months ended March 31, 2026, representing a 10% year-over-year increase. The repeat rate for customers who visited a franchisee clinic at least two times was 72%.

SBC implemented a number of measures in 2025 that appear to be lifting operating results and mirror organic growth complemented by strategic M&A. For example, in April 2025 the company revised its franchise fee structure, as noted, 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. As SBC expected, this contributed to improving cost efficiencies achieved by 2H25,

Source: [Company presentation]

In addition, SBC launched a multi-brand strategy in aesthetic dermatology and other areas to address the increasingly diverse needs of its growing customer base to customize services across multiple brands, segment the market, develop new services and garner more market share overall. For example, the company launched NEO Skin Clinic, targeting relatively frequent visit customers who might otherwise travel outside Japan for the most current treatments. With that brand, the company introduced up-to-date medical devices, including advanced laser devices and has successfully attracted high-literacy customers. SBC also acquired JUN CLINIC, a medical clinic group that focuses on customers who are relatively new to aesthetic medicine. The company intends to continue to promote its multi-brand strategy in the aesthetic dermatology field, expand its non-aesthetic medical business, and strengthen its international footprint. The company also believes the competitive environment of the Japanese and global aesthetic medical market is easing to an extent.

Source: [Company presentation]

Increased focus on many non-aesthetic specialties

SBC has also increased its focus on many non-aesthetic specialties where it believes it has substantial opportunities to grow and gain more market share, including categories such as AGA and dentistry, which are experiencing momentum. Reflecting these and other changes and improved product mix, average revenue per customer visit has begun to recover and improve. The company expects efforts will continue to diversify revenue sources. SBC also sees international expansion, focused on the U.S. and Southeast Asia, as integral to creating long-term value. By 2027, the company expects to operate a significantly larger global footprint offering diversified medical services, with an emphasis on aesthetic medicine.

Wellness and longevity areas targeted for growth

In terms of SBC's expanding its focus on offering diverse service both within and beyond the aesthetic dermatology field, the company has upped its focus on wellness and longevity. SBC recently announced its new wellness and longevity platform, SBC Wellness 2.0, which combines aesthetic healthcare, preventative care, and data-driven health management. The company believes its multiple initiatives position it to benefit from rapid anticipated growth in the wellness and longevity areas.
Leveraging blood biomarkers, imaging, and AI tools to assess people's conditions, SBC Wellness 2.0 focuses on prevention, physical performance, and overall health span. SBC is also leveraging AI to lower costs and increase operational efficiency. AI can enhance a range of applications including many where clinics interact with customers. AI technologies can provide skin analysis, for example, and in turn lower costs and help expand service offerings. The Wellness platform recommends personalized protocols. SBC believes it is well-positioned in longevity, reflecting its network and annual customer visits, and expects to commercialize Wellness 2.0 through a mix of programs sold on a B2B2 basis to corporations as employee-wellness benefits and B2C self-pay medical and aesthetic healthcare services sold directly to customers.

In terms of medical tourism, the company recently held a conference where one of its doctors traveled to mainland China to engage with Chinese customers and explain its treatment expertise. The number of inbound customers is increasing.

Expanding global footprint

To expand its international footprint, SBC recently completed an equity investment and implemented a collaboration with OrangeTwist, a leading U.S.-based MedSpa chain that operates 24 locations in California, Texas, Washington, Nevada, Colorado and New Jersey, offering injectable, energy-based, and regenerative treatments, among other services within high-growth categories SBC prioritizes. Healthcare-focused private equity firm Hildred Capital and Athyrium Capital, a specialized asset management company focused on investment opportunities in the global healthcare sector, are also longstanding institutional shareholders in OrangeTwist.

Source: Company presentation

SBC's U.S. strategy is focused on expanding its presence in collaboration with OrangeTwist. Initiatives consists of marketing support, AI implementation and longevity-clinic proof of concept. In fact, SBC intends to implement longevity treatments at selected OrangeTwist MedSpa locations.

Other recent expansion steps included into the markets in Thailand and Singapore. The company acquired AHH, a leading provider in Singapore that operates approximately 20 aesthetic and medical locations, in November 2024. This acquisition marks a key milestone in the company's expansion strategy, serving as a critical hub for the company's operations across Asia.

The company conducts its M&A strategy maintaining a disciplined financial process and has a solid cash balance, as noted. SBC also 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. 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. Management indicated that it has a growing pipeline of potential M&A opportunities.

Company founder recently reduced stake from ~85% to ~82%

In recent months, the company's goal has been to improve the trading liquidity of its shares. Consistent with this goal, SBC facilitated a secondary offering of about 3.1 million SBC shares by the company's founder, Dr. Yoshiyuki Aikawa. The offering was priced at $3.25 per share. The underwriters also have a 45-day option to purchase up to an additional 465k SBC shares.

Prior to the secondary, Dr. Aikawa beneficially controlled about 85% of the voting power of SBC. Following the offering, he controls about 82%. We view this change as a positive. Given the founder's sizable stake, a reduction in the number of shares held by Dr. Aikawa in order to inject more shares into public float could be a positive measure for share liquidity, in our view. We note, however, that SBC remains a control company. SBC has indicated that as its largest shareholder, Dr. Aikawa is committed to the company's growth objectives.

There were no proceeds to SBC from the offering, as the company did not sell shares. SBC has a strong balance sheet, with a solid cash balance and minimum debt. The company ended 2025 with cash and equivalents of $163.8 million, compared to $127.4 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.

VALUATION

We use a P/S multiple and apply a roughly 60% confidence factor, which we believe is appropriate at this point. 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 use this as a benchmark range. On this basis, we derive a near-term valuation of about $7.00 on our 2026 topline forecast. If SBC can deliver on its growth initiatives, in success we would anticipate share price appreciation over time.

Although we believe that 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. Nevertheless, reflecting SBC's focus on the growing medical aesthetics space and expansion opportunities, 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.

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.

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

- The company announced 1Q26 results on May 14, 2026.
- On April 19, 2026, SBC announced the pricing of the secondary offering of 3.1 million shares.
- SBC announced SBC Wellness 2.0 on March 24, 2026.
- SBC entered the U.S. market on January 5, 2026.
- SBC entered the Thai market on November 14, 2025.
- SBC announced the launch of new brand, "Hada no Aozora Clinic" on September 17, 2025.
- SBC appointed Dr. Ewen Chee President Lead Doctor for Asia Strategy on August 25, 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.

RISKS

SBC faces the following risks, among others.

- As a controlled company, interests of SBC's majority shareholder might differ from those of public shareholders.
- The aesthetic medical industry is competitive.
- The need to continuously upgrade technology present risks.
- 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.
- SBC faces potential foreign exchange (FX) risk.
- 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$)

	1Q25A	2Q25A	3Q25A	4Q25A	2025A	1Q26A	2Q26E	3Q26E	4Q26E	2026E
Total revenue	47,328,701	43,358,847	43,353,235	39,566,706	173,607,489	43,060,562	46,393,966	46,734,787	43,523,377	179,712,692
Cost of revenues	9,595,617	13,348,270	12,741,748	10,638,132	46,323,767	12,713,828	12,526,371	12,618,393	11,751,312	48,522,427
Gross profit	37,733,084	30,010,577	30,611,487	28,928,574	127,283,722	30,346,734	33,867,595	34,116,395	31,772,065	130,102,789
Operating expenses:										
S,G&A	13,531,010	15,456,385	14,730,247	16,079,682	59,797,324	12,626,719	15,920,077	15,614,062	15,638,310	59,799,167
Other	-	-	-		-					
Misappropriation	-	-	-	-	-	-	-	-	-	-
Total operating e:	13,531,010	15,456,385	14,730,247	16,079,682	59,797,324	12,626,719	15,920,077	15,614,062	15,638,310	59,799,167
Operating income	24,202,074	14,554,192	15,881,240	12,848,892	67,486,398	17,720,015	17,947,519	18,502,333	16,133,755	70,303,622
Interest income	55,333	22,882	120,384	(284)	198,315	121,369				
Interest expense	(6,207)	(49,651)	(48,635)	(56,090)	(160,583)	(114,806)				
Other income	151,328	33,771	2,526,035	2,907,364	5,618,498	861,678				
Other expenses	(1,697,259)	(1,132,465)	(6,564)	(317,263)	(3,153,551)	491,564				
Gains	8,746,138	111,632	34,404	3,184,379	12,076,553	(223,209)	-	-	-	-
Total other inc (e:	7,249,333	(1,013,831)	2,625,624	5,718,106	14,579,232	1,136,596	1,147,962	1,159,442	1,171,036	4,615,036
Pretax income	31,451,407	13,540,361	18,506,864	18,566,998	82,065,630	18,856,611	19,095,481	19,661,775	17,304,791	74,918,657
Taxes	9,959,457	11,100,509	5,673,538	4,287,103	31,020,607	7,527,591	5,155,780	5,308,679	4,672,294	22,664,344
Net income	21,491,950	2,439,852	12,833,326	14,279,895	51,045,023	11,329,020	13,939,701	14,353,095	12,632,498	52,254,314
Non-controlling in	(10,496)	(18,388)	(8,690)	79,604	59,410	20,949	(118,487)	(122,001)	(107,376)	(444,162)
Net to SBC	21,502,446	2,458,240	12,842,016	14,200,291	50,985,613	11,308,071	14,058,188	14,475,097	12,739,874	52,698,476
EPS										
EPS PF	$0.21	$0.02	$0.12	$0.14	$0.50	$0.11	$0.13	$0.13	$0.12	$0.49
Avg shares out (n	103,276,637	103,507,249	102,642,634	##########	102,997,967	102,576,943	103,050,816	102,606,943	103,080,816	102,828,880

Source: Company reports, Zacks estimates

HISTORICAL STOCK PRICE

Source: Yahoo Finance

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