August 19, 2026

Zacks Small-Cap Research

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SBC Medical Group Holdings (SBC-NASDAQ)

SBC: 2Q26 Results Illustrate Resumed Growth, as Growth Measures Continue

SBC reported 2Q26 results last week that illustrate resumed growth after implementing measures such as revising the franchise fee structure, a multi-brand strategy to counter intensified competition in certain areas of its business and launch of new service offerings. SBC reported total 2Q26 revenue of $49m, up 13% y/y. EPS was $0.10 vs. $0.02 in 2Q25 & Adj EBITDA advanced 32% y/y.

Current Price (8/18/26)	$3.60
Valuation	**$7.00**

OUTLOOK

SBC's launch of new service offerings encompasses several key niches. For example, with demand for aesthetic healthcare within the male demographic expanding globally according to the ISAPS & other sources, the company has increased its focus on this market and launched SBC Men's Flash Clinic, Japan's first specialized men's beard hair removal clinic. Hair removal ranks among the top three non-surgical procedures globally and among men, according to SBC. SBC also expects has increased focus on many non-aesthetic specialties, including wellness & longevity. As well, SBC expects benefits of AI initiatives to improve the customer experience & boost efficiencies and cost optimization.

SUMMARY DATA

52-Week High	**$5.07**
52-Week Low	**$2.78**
One-Year Return (%)	**-10**
Beta	**0.59**
Average Daily Volume (sh)	**128,341**
Shares Outstanding (mil)	**103**
Market Capitalization ($mil)	**$367**
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	**7.7**
P/E using 2025	**7.2**
P/E using 2026 Estimate	**8.6**

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	49 A	47 E	44 E	183 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	0.10 A	0.10 E	0.10 E	0.42 E

Quarters might not sum due to rounding & share counts

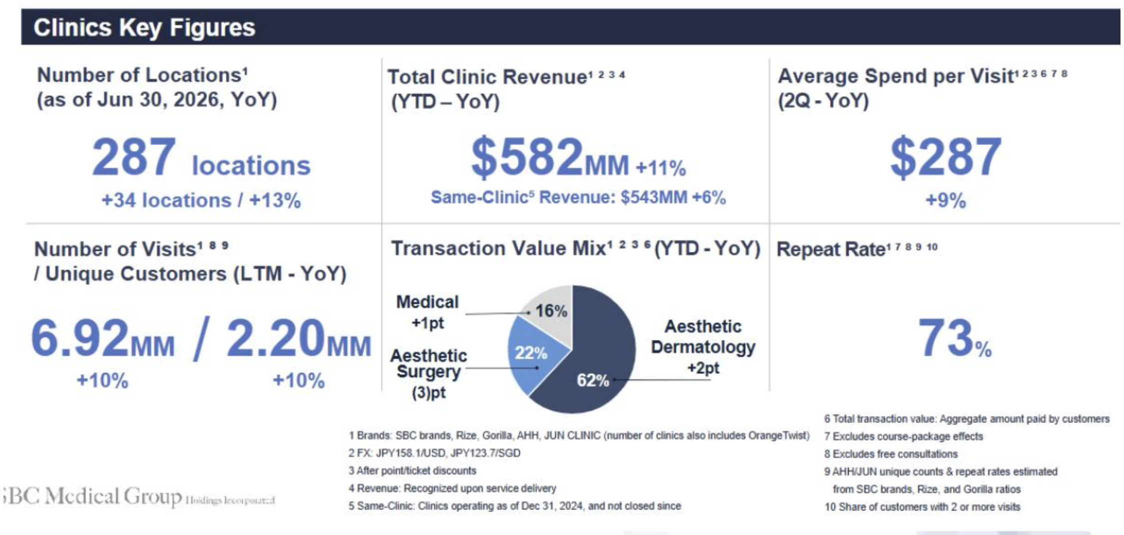
Disclosures on page 9 '23/24 PF

2Q26 HIGHLIGHTS

Revenue grew 13% year-over-year; as expected, margins have improved

SBC Medical Group Holdings (SBC-NASDAQ) provides end-to-end solutions enabling aesthetics clinics to launch, expand and/or operate their businesses. SBC reported 2Q26 results last week. After implementing measures such as revising the franchise fee structure and a multi-brand strategy to counter intensified competition in certain areas of its business, SBC's core operations appear to have normalized and growth resumed.

SBC reported total 2Q26 revenue of $49 million, up 13% year-over-year. Net income attributable to SBC of $11 million advanced 335% year-over-year to $11 million or $0.10 per share, compared to $2 million and $0.02, respectively, in 2Q25. Adjusted EBITDA of $20 million advanced 32% year-over-year. As the company expected, margins have improved, in part reflecting the benefits of AI initiatives that are expected to improve the customer experience and boost efficiencies, and cost optimizations. The adjusted EBITDA margin was 41% compared to 35% in 2Q25. The net income margin was 22%, an increase of 16 percentage points year-over-year. Clinic revenue grew 11% year-over-year and same-clinic sales advanced 6% year-over-year.



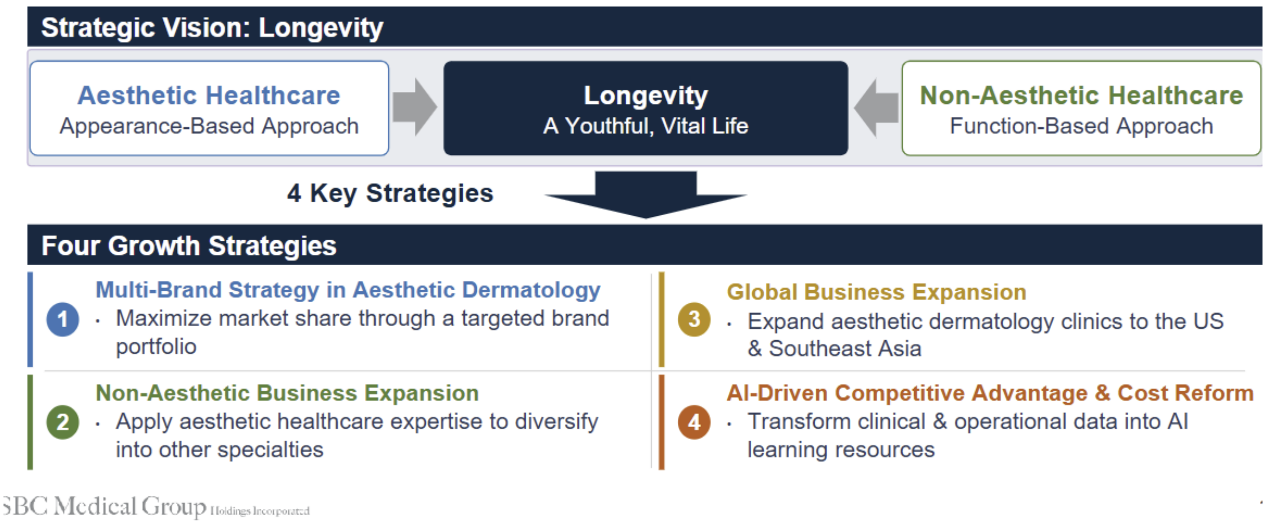
Source: SBC Presentation

There were 287 franchise locations as of June 30, 2026, 34 more locations compared to June 30, 2025. Some 6.92 million customers visited SBC locations in the 12-months ended June 30, 2026, representing a 10% year-over-year increase. The repeat rate for customers who visited a franchisee clinic at least two times was 73, up from 72% in the prior quarter.

As noted, SBC implemented a number of measures in 2025 that appear to be lifting operating results. 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.

SBC also 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 Men's Flash Clinic is focused on providing a men-only setting.

SBC has also complemented organic growth with strategic M&A. For example, SBC 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: SBC Presentation

Increased focus on many non-aesthetic specialties, emphasis on male demographic, wellness & longevity

To enhance its growth prospects, 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.

SBC has increased 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.

Moreover, with demand for aesthetic healthcare within the male demographic expanding globally -- according to the International Society of Aesthetic Plastic Surgery (ISAPS) Global Survey 2024, the total number of aesthetic procedures performed on men increased 6.3% in 2024 -- the company has increased its focus on this market and launched SBC Men's Flash Clinic, Japan's first specialized men's beard hair removal clinic. Hair removal ranks among the top three non-surgical procedures globally and among men, according to SBC.

Leveraging AI tools

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.

Strengthening its AI-enabled Medical Services Organization (MSO) platform is expected to facilitate growth across the number of clinic locations, average fee per clinic (AFPC), and service menu breadth. The platform is expected to help boost patient visits and treatment volumes at franchisee clinics and facilitate clinic growth.

International expansion – OrangeTwist collaboration to support U.S. strategy

OrangeTwist is expected to play an important role in SBC's international expansion activities. specifically, to expand its international footprint, SBC made 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.

Expansion into Thailand and Singapore

In addition, 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. In Thailand, SBC and BLEZ ASIA recently opened a new aesthetic dermatology section at BLEZ Bangkok Clinic.

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.

VALUATION

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.

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.

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 2Q26 results on August 13, 2026.
- SBC launched Japan's 1st specialized men's beard hair removal clinic on July 8, 2026.
- SBC & BLEZ ASIA opened a new aesthetic dermatology section at BLEZ Bangkok Clinic on May 22, 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	2Q26A	3Q26E	4Q26E	2026E
Total revenue	47,328,701	43,358,847	43,353,235	39,566,706	173,607,489	43,060,562	49,188,068	46,734,787	43,523,377	182,506,794
Cost of revenues	9,595,617	13,348,270	12,741,748	10,638,132	46,323,767	12,713,828	13,210,752	12,618,393	11,751,312	49,276,834
Gross profit	37,733,084	30,010,577	30,611,487	28,928,574	127,283,722	30,346,734	35,977,316	34,116,395	31,772,065	132,212,510
Operating expenses:										
S,G&A	13,531,010	15,456,385	14,730,247	16,079,682	59,797,324	12,626,719	17,016,766	15,614,062	15,638,310	60,895,857
Other	-	-	-		-					
Misappropriation	-	-	-	-	-	-	-	-	-	-
Total operating e:	13,531,010	15,456,385	14,730,247	16,079,682	59,797,324	12,626,719	17,016,766	15,614,062	15,638,310	60,895,857
Operating income	24,202,074	14,554,192	15,881,240	12,848,892	67,486,398	17,720,015	18,960,550	18,502,333	16,133,755	71,316,653
Interest income	55,333	22,882	120,384	(284)	198,315	121,369	8,520			
Interest expense	(6,207)	(49,651)	(48,635)	(56,090)	(160,583)	(114,806)	(128,629)			
Other income	151,328	33,771	2,526,035	2,907,364	5,618,498	861,678	1,032,259			
Other expenses	(1,697,259)	(1,132,465)	(6,564)	(317,263)	(3,153,551)	491,564	137,056			
Gains	8,746,138	111,632	34,404	3,184,379	12,076,553	(223,209)	(455,070)	-	-	-
Total other inc (e:	7,249,333	(1,013,831)	2,625,624	5,718,106	14,579,232	1,136,596	594,136	600,077	606,078	2,936,887
Pretax income	31,451,407	13,540,361	18,506,864	18,566,998	82,065,630	18,856,611	19,554,686	19,102,410	16,739,833	74,253,541
Taxes	9,959,457	11,100,509	5,673,538	4,287,103	31,020,607	7,527,591	7,823,743	6,303,795	5,524,145	27,179,274
Net income	21,491,950	2,439,852	12,833,326	14,279,895	51,045,023	11,329,020	11,730,943	12,798,615	11,215,688	47,074,266
Non-controlling in	(10,496)	(18,388)	(8,690)	79,604	59,410	20,949	568,652	619,831	675,615	(400,131)
Net to SBC	21,502,446	2,458,240	12,842,016	14,200,291	50,985,613	11,308,071	11,162,291	12,178,784	10,540,073	47,474,397
EPS										
EPS PF	$0.21	$0.02	$0.12	$0.14	$0.50	$0.11	$0.10	$0.10	$0.10	$0.42
Avg shares out (m	103,276,637	103,507,249	102,642,634	102,576,943	102,997,967	102,576,943	102,576,943	102,606,943	102,606,943	102,591,943

Source: Company reports, Zacks estimates

HISTORICAL STOCK PRICE

Source: Yahoo Finance

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