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Zacks Small-Cap Research

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SBC Medical Group Holdings (SBC-NASDAQ)

SBC: Takeaways From Recent Virtual Meeting With Management, Including on Cybersecurity Incident

We met virtually with management of SBC last week and present our takeaways in this note, including on recent cybersecurity incidents the company has reported. After experiencing competitive pressures on its core business in Japan, SBC implemented several measures & growth appears to have reaccelerated.

Current Price (11/24/26)	$6.02
Valuation	**$8.50**

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	**$7.39**
52-Week Low	**$2.78**
One-Year Return (%)	**66**
Beta	**0.52**
Average Daily Volume (sh)	**271,053**
Shares Outstanding (mil)	**103**
Market Capitalization ($mil)	**$621**
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 2025 EPS	**12.0**
P/E using 2026 Estimate	**13.1**
P/E using 2027 Estimate	**10.0**

Risk Level	**High**
Type of Stock	**Small-Growth**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	58 A	44 E	194 E
2027					225 E

EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	0.15 A	0.10 E	0.46 E
2027					0.60 E

Quarters might not sum due to rounding & share counts

Disclosures on page 9 '24 PF

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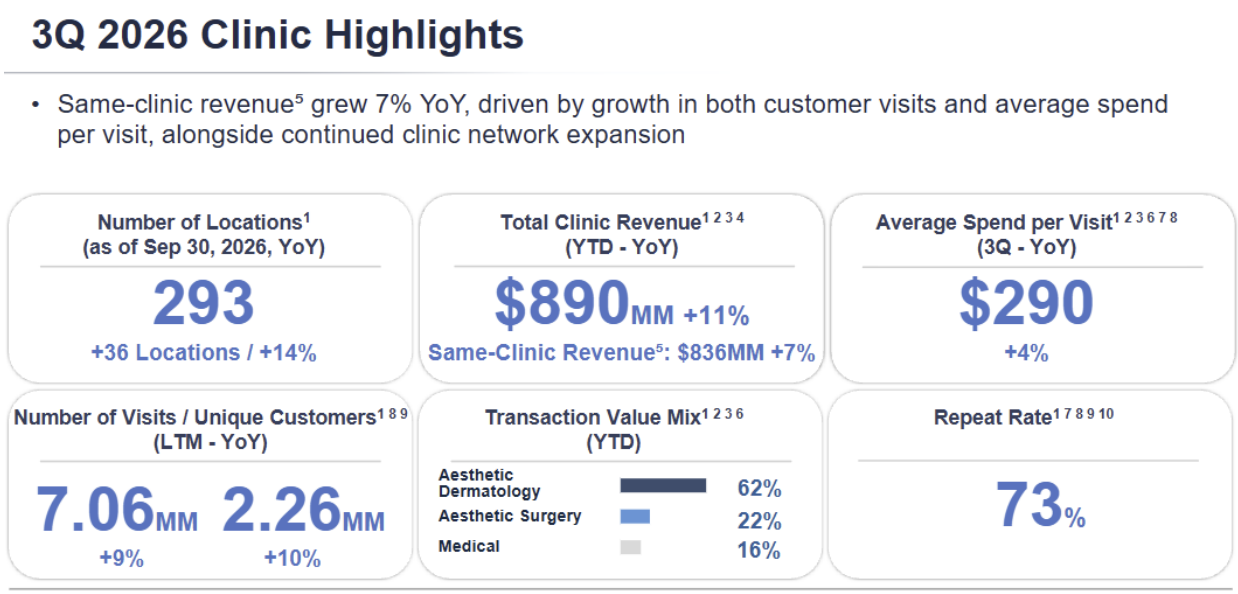
3Q26 HIGHLIGHTS

Operations appear to have normalized, growth resumed after steps to address challenges

We met virtually with management of SBC Medical Group Holdings (SBC-NASDAQ) last week and present our takeaways in this note including on recent cybersecurity incidents the company has reported. The company provides end-to-end solutions enabling aesthetics clinics to launch, expand and/or operate their businesses. After experiencing some heightened competitive pressures to its core business in its domestic market of Japan, the company implemented several measures to address the challenges and facilitate growth such as revising the franchise fee structure and introducing a multi-brand strategy to counter intensified competition in certain areas of its business. The revised franchise fee structure was designed 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.

The multi-brand strategy is designed to address the increasingly diverse needs of SBC's growing customer base and customize services across multiple brands, segment the market, develop new services and garner more market share overall. One example is the launch of 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.

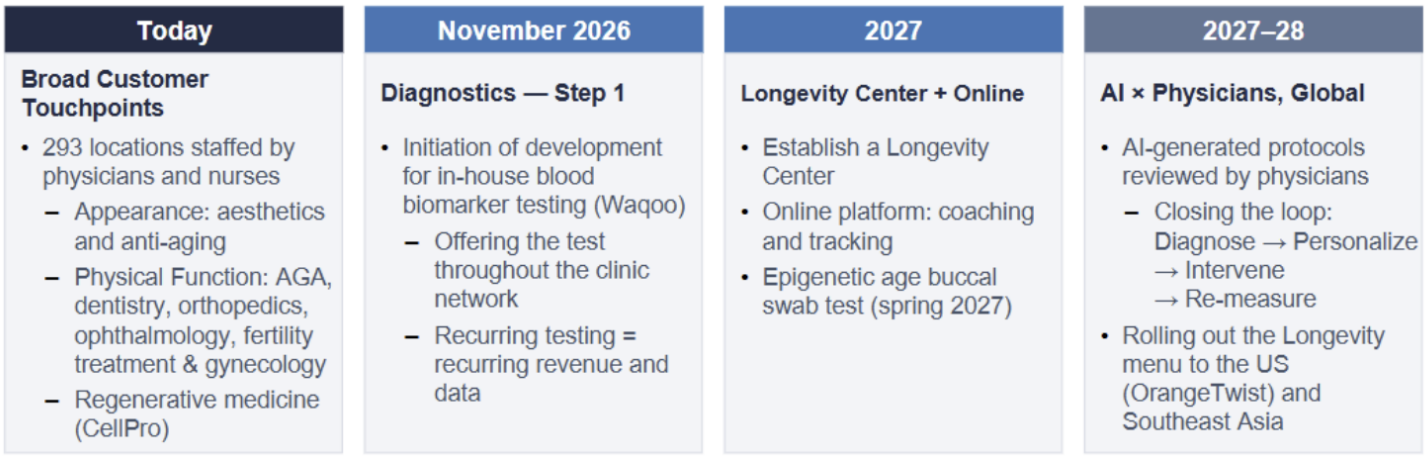
SBC's core operations appear to have normalized and growth appears to have resumed. SBC reported total 3Q26 revenue of $59 million, up an impressive 35% year-over-year. Net income attributable to SBC of $16 million or $0.15 per share advanced 22% year-over-year in 3Q26. Adjusted EBITDA of $28 million advanced 66% year-over-year and 40% quarter-over-quarter. The adjusted EBITDA margin also improved, in part reflecting the benefits of AI initiatives that are designed to improve the customer experience and boost efficiencies and cost optimizations. It reached 47% compared to 38% in 3Q25.



Source: SBC presentation

There were 36 more locations compared to September 30, 2025, reaching 293 total locations. There were 7.06 million patient visits to SBC locations in the 12-months ended September 30, 2026, representing a 9% year-over-year increase. Average per visit spend increased 4% year-over-year to was $290.

SBC believes it is well-positioned in longevity vertical



Source: SBC presentation

The company also believes the competitive environment of the Japanese and global aesthetic medical market is easing to an extent. 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. The company views the longevity business as its next growth opportunity and is encouraged by the opportunity at this early stage. Initially, SBC is developing an in-house DNA methylation-based test to estimate biological age and intends to develop an integrated platform spanning testing, personalized treatment and evaluation of outcomes.

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.

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. 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.

Complementing organic growth, enhancing geographic expansion with strategic M&A

Complementing organic growth with strategic M&A, SBC acquired JUN CLINIC, a medical clinic group that focuses on customers who are relatively new to aesthetic medicine, and acquired a stake in OrangeTwist, which 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.

In addition, other recent expansion steps included into the markets in Thailand and Singapore. The company acquired AHH, a leading provider in Singapore, in November 2024. 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.

SBC had $198 million in cash and cash equivalents and $154 million in net cash as of September 30, 2026, to support its operations, growth measures and response to recent cybersecurity incidents (see below). For the first nine months of 2026, SBC generated net cash from operating activities of $50 million.

Cybersecurity incidents earlier this month

Earlier this month, SBC reported recent cybersecurity incidents involving customer information, including credit card information of 14 people, although the numbers could increase as SBC continues to investigate the extent of the breach. The company has taken steps to mitigate the problem, including establishing an incident response team, preserving records and strengthening access restrictions, among others. The company reported the incident to Japan's regulators and intends to consult with the police while it assesses the potential impact on its business, costs associated with addressing the issue and potential liability. In relevant cases, TV and other advertising have been suspended for a time.

As hackers become more sophisticated and increasingly leverage AI, the number of cybersecurity incidents is climbing. We view it positively that SBC seems to have reported the incident and responded quickly. While its total exposure is unknown at this point, we are optimistic that SBC will introduce significantly tighter measures to protect its data and patient records. Moreover, the company has a strong balance sheet and the impact of the breach appears to be relatively limited at this point, although potentially could increase.

VALUATION

In our view, the recent cybersecurity incidents could overhang the shares until the extent of the breach and the company's potential exposure and liability are better known. We therefore lower our confidence factor that we use in our valuation methodology until the extent of the breach and potential costs to SBC are better known. We use a P/S multiple at the midpoint of the range we have identified below and apply a roughly 50% confidence factor, down from 60% applied earlier.

We believe these metrics are 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 the basis of the metrics noted above, we derive a near-term valuation of about $8.50 on our 2027 topline forecast, up from $7.00 before on our 2026 topline forecast and using the earlier higher expected multiple and confidence factor. If the company provides an update on the cyber incident that provides more clarity, it could cause us to raise the valuation metrics we apply.

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.

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

- SBC reported cybersecurity incidents in Japan on November 18, 2026.
- The company announced 3Q26 results on November 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.

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.
- The extent of the cybersecurity breach and SBC's potential exposure could be greater than we currently project.

FINANCIAL MODEL

SBC Medical Group Holdings

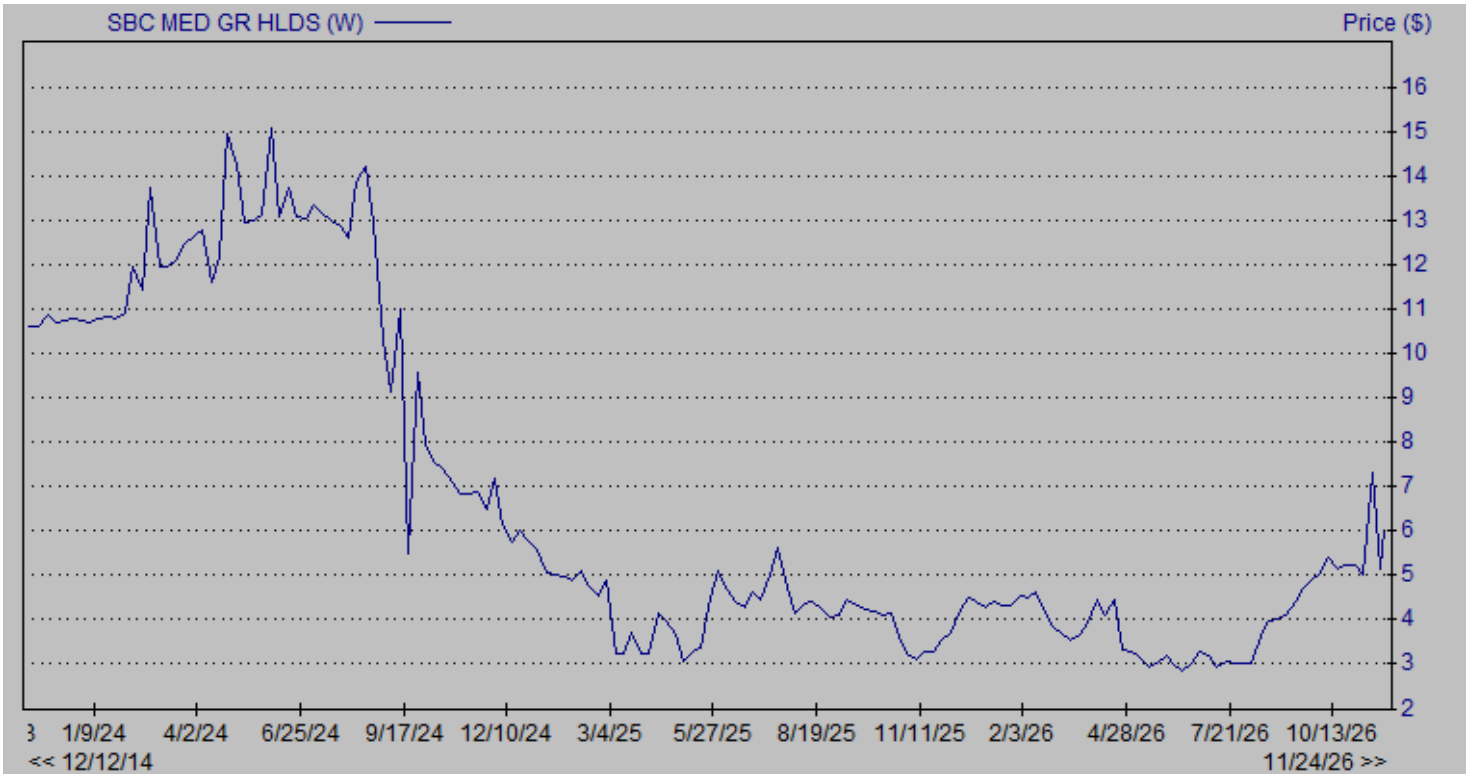
SBC Medical Group Holdings (US$)

	1Q25A	2Q25A	3Q25A	4Q25A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	2027E
Total revenue	47,328,701	43,358,847	43,353,235	39,566,706	173,607,489	43,060,562	49,188,068	58,581,520	43,523,377	194,353,527	225,450,091
Cost of revenues	9,595,617	13,348,270	12,741,748	10,638,132	46,323,767	12,713,828	13,210,752	16,402,500	11,751,312	52,475,452	60,871,525
Gross profit	37,733,084	30,010,577	30,611,487	28,928,574	127,283,722	30,346,734	35,977,316	42,179,020	31,772,065	140,275,135	164,578,566
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	15,761,753	15,638,310	61,043,548	70,200,080
Other	-	-	-		-						3,500,000
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	15,761,753	15,638,310	61,043,548	73,700,080
Operating income	24,202,074	14,554,192	15,881,240	12,848,892	67,486,398	17,720,015	18,960,550	26,417,267	16,133,755	79,231,587	90,878,486
Interest income	55,333	22,882	120,384	(284)	198,315	121,369	8,520	344,937			
Interest expense	(6,207)	(49,651)	(48,635)	(56,090)	(160,583)	(114,806)	(128,629)	(128,878)			
Other income	151,328	33,771	2,526,035	2,907,364	5,618,498	861,678	1,032,259	695,294			
Other expenses	(1,697,259)	(1,132,465)	(6,564)	(317,263)	(3,153,551)	491,564	137,056	(947,087)			
Other	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	(35,734)	606,078	2,301,076	1,610,753
Pretax income	31,451,407	13,540,361	18,506,864	18,566,998	82,065,630	18,856,611	19,554,686	26,381,533	16,739,833	81,532,663	92,489,240
Taxes	9,959,457	11,100,509	5,673,538	4,287,103	31,020,607	7,527,591	7,823,743	9,378,075	5,524,145	30,253,554	30,521,449
Net income	21,491,950	2,439,852	12,833,326	14,279,895	51,045,023	11,329,020	11,730,943	17,003,458	11,215,688	51,279,109	61,967,791
Non-controlling in	(10,496)	(18,388)	(8,690)	79,604	59,410	20,949	568,652	1,310,716	675,615	(435,872)	(475,101)
Net to SBC	21,502,446	2,458,240	12,842,016	14,200,291	50,985,613	11,308,071	11,162,291	15,692,742	10,540,073	51,714,982	62,442,892
EPS											
EPS PF	$0.21	$0.02	$0.12	$0.14	$0.50	$0.11	$0.10	$0.15	$0.10	$0.46	$0.60
Avg shares out (r	103,276,637	103,507,249	102,642,634	102,576,943	102,997,967	102,576,943	102,576,943	102,576,943	102,606,943	102,584,443	102,636,943

Source: Company reports, Zacks estimates

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