SBC Medical Group Holdings | SBC (NASDAQ)

Company Report

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Strategy Advisors, Inc.
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FY12/26 H1 Results: While Revenue and Profits Declined, Quarterly Profits are Expected to Recover

Results for FY12/25 H1, were as follows (In USD): revenue of $91 million (-16% YoY), gross profit of $68 million (-14% YoY), operating income of $39 million (-25% YoY) and net income attributable to parent company of subsidiaries of $24 million (-36% YoY). The revision to the franchise fee structure implemented in April as part of the long-term growth strategy resulted in a $7.4 million reduction in revenue and profit. However, future quarterly profits are expected to recover due to factors such as an increase in the number of clinics.

Group clinic revenue for FY12/25 H1 was $557 million (-2% YoY). This was due to a decline in average revenue per visit, despite an increase in customer numbers. Furthermore, the number of group clinics increased by 10 clinics compared to the end of FY12/2024, reaching 259 clinics at the end of July, driven by the addition of JUN CLINIC to the group.

The stock price, which had been trending upward since early April, temporarily dipped below $4 on August 13th due to weak Q2 results for FY12/25. However, following management's presentation of prospects for future profit recovery during the earnings conference call, the stock is currently trading between $4.0 and $4.50. If quarterly profit recovery is confirmed in Q3 and subsequent earnings reports, a significant stock price increase can be anticipated.

Compared to the nine major listed cosmetology companies in the world, SBC ranks second with $76 million in EBITDA, it ranks first with $291 million in enterprise value and is the second highest in ROE, making it a leading company in the industry. However, SBC's stock price is relatively undervalued in terms of EV/EBITDA (4x) and P/B (2x). In terms of ROE, SBC is the third highest among the 27 companies and the top-ranked company in terms of profitability.

HCA Healthcare (HCA NYSE), which currently has the largest EBITDA of any publicly traded healthcare company in the world, has an enterprise value of $139.9 billion, about 400 times SBC's enterprise value. There is still a large gap between the two companies' enterprise values. HCA Healthcare is the only Japanese cosmetic medicine group listed on a stock exchange and has established itself as a leading company in the global cosmetic medical industry. Despite this gap, SBC has earned the right to challenge their lofty goal, which is "to become the medical group with the most customers in the world with 10,000 clinics and 1,000 hospitals by 2050".

Share Price and Volumes (Past 1 Year)

Source: Strategy Advisors

Key Indicators

Stock Price (8/27/25)	4.18
52-Week High (9/27/24)	9.61
52-Week Low (4/2/25)	2.95
All-Time High (9/27/24)	9.61
All-Time Low (4/2/25)	2.95
Number of Shares Issued (mn)	103
Market Capitalization ($ mn)	431
EV ($ mn)	291
Equity Ratio (FY12/24, %)	73.3
ROE (FY12/24 Actual, %)	27.6
PER (FY12/24 Actual, x)	8.7
PBR (FY12/24 Actual, x)	2.2
Yield (FY12/25 CoE, %)	-

Source: Strategy Advisors

Consolidated

FY	Revenue	YoY	Operating Income	YoY	PBT	YoY	NP	YoY	EPS	DPS
	($ mn)	(%)	($ mn)	(%)	($ mn)	(%)	($ mn)	(%)	($)	($)
12/24 H1	108	-	52	-	54	-	37	-	0.40	-
12/25 H1	**91**	**-16.0**	**39**	**-25.1**	**45**	**-17.1**	**24**	**-35.7**	**0.23**	**-**
12/22	174	-	21	-	24	-	6	-	0.06	-
12/23	194	11.1	71	231.0	74	210.8	39	523.4	0.39	-
12/24	205	6.1	70	-0.5	73	-0.2	47	18.4	0.48	-

Source: Company Data. Compiled by Strategy Advisors.

1. FY12/25 H1 Results

FY12/25 1H Financial Results Show Decreased Revenue and Profits

SBC Medical Group Holdings (SBC) announced its results for FY12/25 H1 on August 13. Revenue was $91 million (-16% YoY), gross profit was $68 million (-14% YoY), operating profit was $39 million (-25% YoY) and net income attributable to parent company of the subsidiaries was $24 million (-36% YoY).

Revenue Decline Driven by Staffing Service Termination and Fee Structure Revision

Revenue decreased by $17 million YoY. Excluding the termination of staffing services (-$10.8 million YoY) and the sale of SBC Kijimadaira Resort K.K. and Skynet Academia M.K. at the end of December 2024 (-$3.5 million YoY), revenue excluding the impact of foreign exchange fluctuations decreased by $5.1 million YoY. The exchange rate strengthened from ¥152.2/USD in 1H FY12/2024 to ¥148.5/USD in 1H FY12/2025. Consequently, the foreign exchange impact contributed $2.2 million to sales growth.

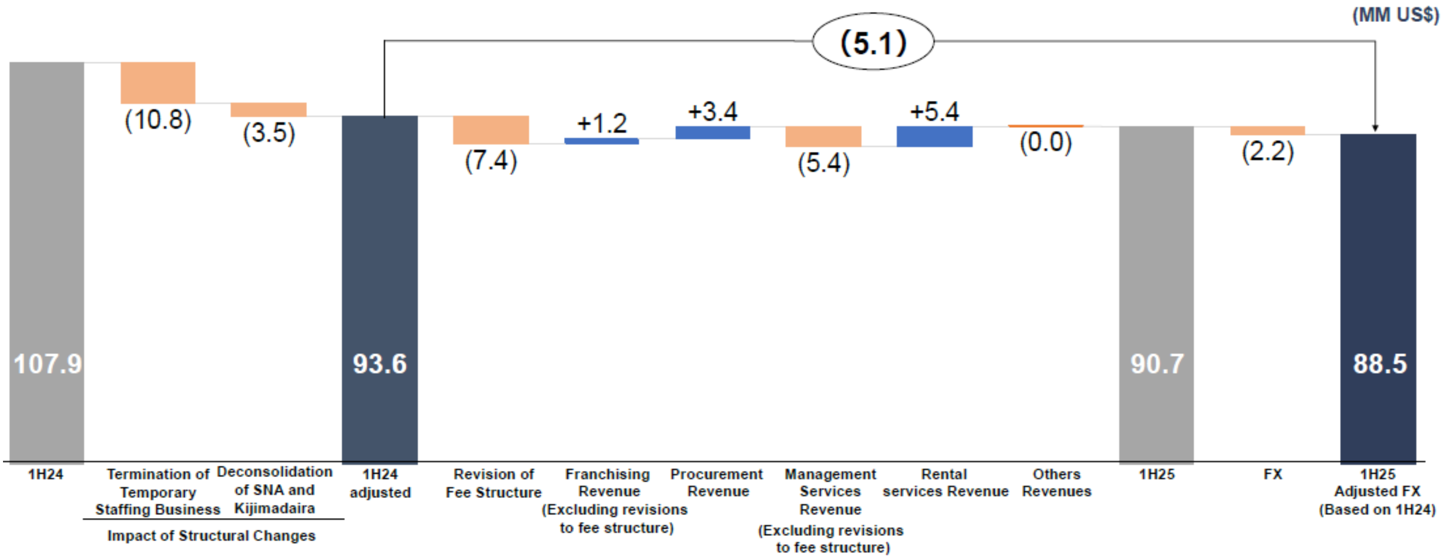
Additionally, the revision of the franchise fee structure implemented in April resulted in a $7.4 million decrease in revenue. Of this, approximately 70% is estimated to relate to franchise revenue and approximately 30% to management service revenue. The remaining factors contributing to both revenue increases and decreases will be discussed later in the explanation of revenue by business segment.

Revision of the Franchise Fee Structure to Expand and Stabilization of the Business' Foundation

As part of its long-term growth strategy, SBC changed its franchise fee structure from a flat-rate system to a tiered system based on the scale of utilization of various consulting services and sales volume. It also introduced a new fee reduction system for clinics in their first year of operation.

The aim is to create an environment where franchisees can more easily open new clinics, thereby further expanding and stabilizing the business foundation. For smaller clinics, the burden of franchise fees is expected to have decreased significantly.

Figure 1. Analysis of Revenue Increase/Decrease



Source: Company Data.

Franchise Sales and Management Service Revenue Declined

By business segment, franchise revenue (royalty income) was $26 million (-13% YoY). The primary reason for the decrease was the revision of the franchise fee structure. Excluding the impact of the franchise fee structure revision, franchise revenue increased by $1.2 million YoY due to an increase in the number of franchise clinics.

Management services revenue was $14 million (-57% YoY). The breakdown of the decrease in revenue was as follows: 1) The termination of staffing services for clinic operations personnel resulted in a decrease of $10.8 million compared to the same period last year, 2) The decrease in existing business, excluding the impact of the franchise fee structure revision, amounted to a decrease of $5.4 million (of which $4.3 million was due to an increase in revenue deductions associated with increased point usage at clinics) and 3) The decrease in consulting revenue, etc., due to the franchise fee structure revision.

Procurement Sales & Rental Service Sales Increased

Procurement sales increased to $30 million (+13% YoY), driven by rising prices of medical supplies.

Rental service sales surged to $12 million (+77% YoY), fueled by strong demand for laser hair removal equipment rentals at cosmetic dermatology clinics.

Other Revenue Decreased By 29%

Other income amounted to $9 million (-29% YoY) due to the impact of the sale of two consolidated subsidiaries completed at the end of December 2024.

Gross Profit Margin Improved Due to the Downsizing of High-Cost Operations

Cost of sales decreased significantly to $23 million (-21% YoY) due to substantial reductions in personnel expenses within management services and other segments, which have high-cost ratios. Gross profit decreased to $68 million (-14% YoY) due to lower sales revenue. Consequently, the gross profit margin increased to 74.7% from 73.2% in the same period last year.

Operating Expenses Increased By 7%

Operating expenses increased to $29 million (+7% YoY) due to higher consulting fees, rent, utilities, and other expenses, despite decreases in salaries and allowances.

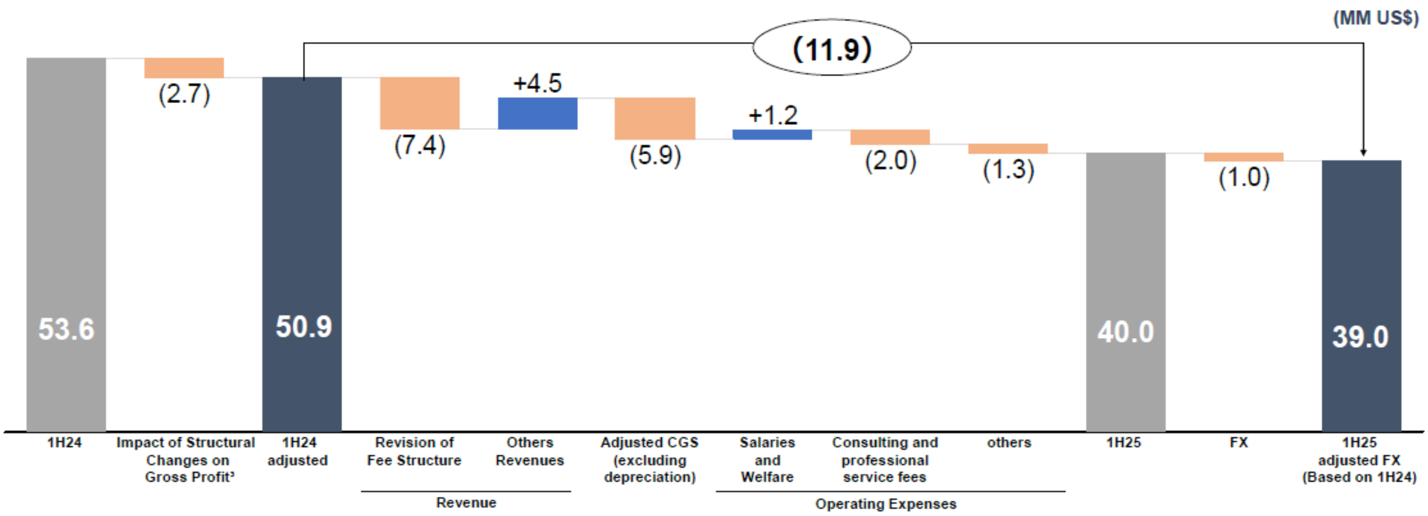
Operating Profit Decreased By 25%

Operating income decreased to $39 million (-25% YoY) due to a decline in gross profit combined with an increase in operating expenses.

EBITDA Decreased By 25%

Meanwhile, EBITDA decreased to $40 million (-25% YoY). Key factors contributing to the decline included reduced profits from the revised franchise fee structure, reduced profits from the sale of subsidiaries, increased consulting fees and a decrease in gross profit excluding the impact of the revised franchise fee structure.

Figure 2. Analysis of Increase/Decrease in EBITDA



Source: Company Data

Recognized $9 Million in Insurance Gains as Other Income

Other income included a $9 million gain on insurance policy maturity, offset by the absence of a $4 million gain on the sale of a subsidiary recorded in YoY. Other income/expenses increased to $6 million from $3 million YoY.

As a result, operating income decreased 25% YoY, while income before taxes decreased only 17% YoY.

Corporate Tax Burden Rate Rises

Following its listing last year, the company found that compensation for certain executives was paid by its U.S. subsidiary, resulting in amounts exceeding a certain threshold no longer being deductible as expenses for tax purposes. Furthermore, differences in accounting standards between Japan and the U.S. regarding revenue recognition for aircraft sales conducted in Q2 resulted in corporate taxes being levied on transactions not recognized as profit. These two factors caused the effective tax rate to rise from 31.3% in YoY to 46.8%. Consequently, net income attributable to parent company of the subsidiaries decreased by 36% YoY.

Figure 3. SBC's FY12/25 H1 Financial Summary

($ mn)	12/25 H1	YoY	12/24 H1
Total Revenues	**91**	**-16%**	**108**
Franchise Revenue	26	-13%	30
Procurement Services	30	13%	27
Management Services	14	-57%	32
Rental Services	12	77%	7
Other	9	-29%	12
Cost of Revenues	23	-21%	29
Gross Profit	**68**	**-14%**	**79**
Gross Profit Margin	74.7%	-	73.2%
Operating Expenses	29	7%	27
Salaries and Welfare	13	-8%	14
Depreciation and Amortization Expense	1	-24%	1
Consulting and Professional Service Fees	7	38%	5
Office, Utility and Other Expenses	4	33%	3
Other	4	11%	4
Income from Operations	**39**	**-25%**	**52**
Total Other Income/Expenses	6	146%	3
Income before Income Taxes	**45**	**-17%**	**54**
Net income Attributable to Owners of Parent	**24**	**-36%**	**37**
EBITDA	40	-25%	54
EBITDA Margin	44%	-	50%
Depreciation and Amortization	1	-32%	2
Impairment Loss	-	-	-

Note: EBITDA = Operating Income + Depreciation + Impairment Loss.
Source: Company Data. Compiled by Strategy Advisors.

2. FY12/25 Q2 Results

FY12/25 Q2 Financial Results Show Decreased Revenue & Profits

FY12/25 Q2 results were as follows: revenue of $43 million (-18% YoY), gross profit of $30 million (-24% YoY), operating income of $15 million (-47% YoY) and net income attributable to parent company of the subsidiaries of $2 million (-87% YoY).

The Termination of Staffing Services and the Revision of the Franchise Fee Structure Were the Primary Causes of the Significant Revenue Decline

Revenue decreased by $9 million compared to the same period last year. Excluding the termination of staffing services (-$5.3 million YoY) and the impact of the sale of SBC Kijimadaira Resort Co., Ltd. and Skynet Academy Co., Ltd. at the end of December 2024 (-$0.6 million YoY), revenue excluding the impact of foreign exchange fluctuations decreased by $4.9 million YoY. While foreign exchange effects contributed $1.1 million to sales, the primary cause of the significant revenue decline was the $7.4 million decrease resulting from the revised franchise fee structure implemented in April.

Figure 4. Q2 SBC's FY12/2025 Financial Summary

($ mn)	12/25 Q2	YoY	12/24 Q2	12/25 Q1
Total Revenues	**43**	**-18%**	**53**	**47**
Franchise Revenue	10	-32%	15	16
Procurement Services	16	16%	14	14
Management Services	5	-69%	17	9
Rental Services	7	98%	3	6
Other	6	17%	5	3
Cost of Revenues	13	-2%	14	10
Gross Profit	**30**	**-24%**	**39**	**38**
Gross Profit Margin	69.2%	-	74.2%	79.7%
Operating Expenses	15	27%	12	14
Salaries and Welfare	7	-14%	8	6
D&A Expenses	0	82%	0	0
Consulting and Professional Service Fees	4	50%	3	3
Operating Expenses	2	NM	0	2
Other	3	60%	1	2
Income from Operations	**15**	**-47%**	**27**	**24**
Total Other Income /Expenses	-1	NM	0	7
Income before Income Taxes	**14**	**-50%**	**27**	**31**
Net income Attributable to Owners of Parent	**2**	**-87%**	**18**	**22**
EBITDA	15	-46%	28	25
EBITDA Margin	35%	-	53%	52%
Depreciation and Amortization	1	-23%	1	1
Impairment Loss	-	-	-	-

Note: EBITDA = Operating Income + Depreciation + Impairment Loss

Source: Company Data. Compiled by Strategy Advisors.

Franchise Sales and Management Service Revenue Saw a Significant Decline

By business segment, franchise revenue was $10 million (-32% YoY). The primary reason for the decrease was the revision of the franchise fee structure. Excluding the impact of the franchise fee structure revision, revenue increased by $0.5 million YoY due to an increase in the number of franchise clinics.

Management services revenue was $5 million (-69% YoY). The breakdown of the decrease is as follows: 1) The termination of staffing services for clinic operations personnel resulted in a decrease of $5.3 million YoY, 2) The decrease in existing business, excluding the impact of the revised franchise fee structure (primarily attributed to an increase in sales deductions due to increased point usage at clinics), amounted to a decrease of $4.0 million and finally, 3) The decrease in consulting revenue, etc., due to the revised franchise fee structure.

Procurement Sales & Rental Service Sales Increased

Procurement sales increased to $16 million (+16% YoY) due to rising prices of medical supplies. Rental service sales surged by 98% YoY to $7 million, driven by strong demand for laser hair removal equipment rentals at cosmetic dermatology clinics.

Other Revenue Increased By 17%

Other revenue increased by $6 million (+17% YoY), driven by real estate sales recorded at the real estate subsidiary, despite a $0.6 million decrease due to the sale of two consolidated subsidiaries completed at the end of December 2024.

Gross Profit Margin Declined

Cost of sales decreased to $13 million (-2% YoY) as expenses for procurement sales and rental service sales increased, but personnel expenses and other costs decreased significantly in management services and other segments. Gross profit decreased to $30 million (-24% YoY) due to the decline in sales. Consequently, the gross profit margin decreased to 69.2% from 74.2% YoY.

Operating Expenses Increased By 27%

Operating expenses increased to $15 million (+27% YoY) due to higher consulting fees, rent, utilities and other expenses, despite decreases in salaries and allowances.

Operating Profit Decreased By 47%

Operating income decreased by 47% YoY to $15 million due to a decline in gross profit combined with increased operating expenses. Additionally, the impact of the revised franchise fee structure reduced income by $7.4 million; and operating expenses increased, resulting in a significant decrease in operating income from $24 million in Q1.

Quarterly Operating Profit is Expected to Recover Going Forward

Although Q2 operating profit remained at $15 million, it represents a significant increase from the $5 million recorded in FY12/24 Q4. Furthermore, the impact of increased sales deductions due to higher point usage at clinics is expected to diminish going forward. Therefore, the assessment that quarterly operating profit has bottomed out remains unchanged. Starting in Q3, contributions from JUN CLINIC, as discussed below, are also anticipated. Therefore, quarterly operating profit is expected to recover going forward.

EBITDA Decreased By 46%

Meanwhile, EBITDA, which adds depreciation and amortization and impairment losses to operating profit, decreased 46% YoY to $15 million. Key factors contributing to the decline included reduced profits due to the revision of the franchise fee structure, increased consulting expenses and a decrease in gross profit excluding the impact of the franchise fee structure revision.

3. Status of Franchise Clinics

SBC discloses the following key metrics for its group clinics (franchise clinics and company-owned clinics): number of clinics, repeat customer rate, revenue, annual customer count/unique customer count, average customer spends and revenue composition ratio.

JUN CLINIC Joins the Group

In July 2025, the company acquired shares in MB Career Lounge, Inc. (MB/ Headquarters: Minato-Ku, Tokyo), which provides management services for medical institutions. Consequently, JUN CLINIC, operated by the medical corporation Misakikai and supported by MB, was added to the group. JUN CLINIC operates aesthetic dermatology and cosmetic surgery clinics in locations including Shirokane, Ginza, Tama Plaza, Yokohama and Nagano. Utilizing the VISIA skin analysis system, it provides comprehensive, customized treatments tailored to each client's specific skin condition.

The Number of Group Clinics Reached 259 Clinics

The total number of group clinics, including franchise and company-operated clinics, reached 259 as of July 2025, an increase of 10 clinics compared to the previous fiscal year-end. Of these, SBC brand, Rize Clinic and Gorilla Clinic totaled 232 locations, Singapore's AHH had 21 locations and JUN CLINIC had 6 locations.

The Repeat Rate Has Increased to 72%

The repeat rate (for SBC Brand, Gorilla Clinic and Rize Clinic), which indicates the percentage of customers who visited twice or more among all past customers, increased to 72% in FY12/25 H1, compared to 71% for the full-year FY12/24.

Group Clinic Revenue Decreased by 2%

Group clinic revenue for the FY12/25 H1 (covering SBC Brand, Rize Clinic, and Gorilla Clinic and AHH) was $557 million, a 2% decrease YoY. The breakdown was $551 million from existing clinics (-3% YoY) and $6 million from new clinics opened in 2025. This was influenced by a decline in average revenue per visit, despite an increase in customer numbers. Exchange rates used were ¥148.5/USD, ¥112.0/SGD and ¥0.006/VND.

Annual Customer Numbers are Steadily Increasing

Annual customer count from July 2024 to June 2025 (excluding SBC Brand, Rize Clinic, Gorilla Clinic, AHH, and free consultations) was 6.31 million (+14% YoY). Of these, unique customers numbered 2 million (+10% YoY). For AHH's unique customer count, an estimated value was used by applying the ratio of unique customers to annual customer count observed for the SBC brand, Gorilla Clinic and Rize Clinic.

Average Revenue Per Visit has Declined

Meanwhile, average revenue per visit FY12/25 H1 (covering SBC Brand, Rize Clinic and Gorilla Clinic) was $279 (-13% YoY). Within this, SBC Brand recorded $289 (-15% YoY), while Rize Clinic and Gorilla Clinic, primarily focused on hair removal, averaged $260 (+8% YoY).

The company has changed its primary metric from customer price per transaction to average revenue per visit. For example, when selling a 6-session course for ¥300,000, the previous customer price per transaction recorded ¥50,000. Under the new average revenue per visit metric, the entire ¥300,000 is recorded during the first visit. As a result, the average revenue per visit figure has increased significantly compared to the previous customer value per transaction. This increase is particularly pronounced for Rize Clinic and Gorilla Clinic, where the proportion of revenue from multi-session courses is high.

The SBC brand's average revenue per visit declined due to a shift in its service mix: a smaller share of high-priced cosmetic surgeries and a larger share of low-priced cosmetic dermatology treatments. Conversely, Rize Clinic and Gorilla Clinic saw an increase in average revenue per visit, driven by more high-priced non-hair removal services, the elimination of certain low-priced services and Rize Clinic's price hike for medical hair removal in April.

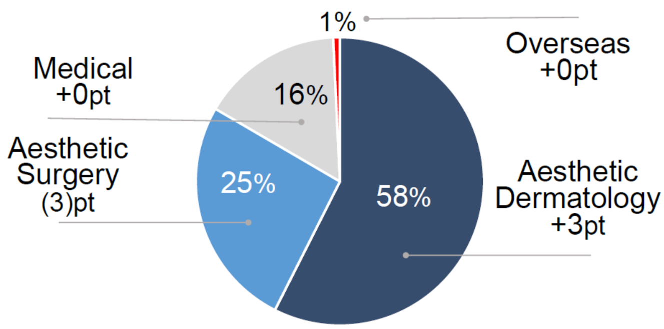
The Rise in Non-Surgical Treatments Reflects Structural Industry Changes

The proportion of non-surgical treatments, including cosmetic dermatology, is increasing, while the proportion of surgical treatments, primarily cosmetic surgery, is decreasing. This trend is common not only in SBC but also across the Japanese market and overseas markets such as the United States. Amidst the global expansion of the aesthetic medicine market, the shift toward non-surgical treatments (non-invasive procedures that do not damage the body) is considered a structural change within the industry.

The Proportion of Sales from Cosmetic Dermatology is Increasing

The sales composition ratio by department and region for FY12/25 H1 (covering SBC Brand, Rize Clinic, Gorilla Clinic and AHH) and its YoY change are shown in Figure 5. Due to industry structural changes shifting demand from cosmetic surgery to cosmetic dermatology and the opening of new cosmetic dermatology clinics by franchisees, the sales composition ratio for cosmetic dermatology increased by 3% YoY.

Figure 5. Revenue Composition of Franchise Clinics by Department & Region and YoY Increase/Decrease



Source: Company Data

Advancing a Multi-Brand Strategy Targeting Specific Customer Segments

The company has built a franchise network centered on SBC Shonan Beauty Clinic, a comprehensive cosmetic surgery center catering to entry-level, mass-market, and expert-level clients. However, recognizing the recent rise in non-surgical treatments within the aesthetic procedures market, it has announced a policy to promote multi-brand expansion through specialized aesthetic dermatology clinics focused on non-surgical treatments as part of its growth strategy.

In April 2025, it launched “NEO SKIN CLINIC”, a new aesthetic dermatology format targeting the expert segment (average revenue per visit: $308 in June). Additionally, JUN CLINIC, which joined the group and targets the mass to expert segments, recorded an average revenue per visit of $351 from January to March 2025. The company plans to expand the number of NEO SKIN CLINIC and JUN CLINIC locations through new openings and converting existing stores.

Furthermore, the company is preparing to open a new brand offering a hybrid model of insurance-covered and self-pay treatments targeting the entry-level segment.

Focusing on Medical Tourism Initiatives

The company has announced plans to focus on medical tourism services targeting overseas customers seeking high-quality and safe cosmetic medical services in Japan. Although medical tourism revenue at the company's group clinics for FY12/25 H1 amounted to only $2.0 million, this represents an 83% increase YoY, positioning it as a growth area. During the same period, the number of customers was 8,605 of whom 6,765 were travelers from China.

The Medical Business is Steadily Growing, Including Treatments for Thinning Hair

The company selectively expands its medical business in areas such as orthopedics, infertility treatment/gynecology, and hair loss treatment (AGA), based on profitability and growth potential. In the hair loss treatment field, it provides services at a total of 33 clinics (the largest scale in Japan) combining 11 SBC brand clinics (Shonan AGA Clinic) and 22 Gorilla Clinic locations specializing in male hair loss. This segment is growing steadily. Within the medical business, the company is particularly focused on expanding Shonan AGA Clinic and orthopedic clinics. During FY12/25 H1, it opened one new orthopedic clinic and one new gynecology clinic.

We Have Embarked on Strengthening Our Overseas Operations

Regarding overseas operations, SBC launched services for local Japanese residents at Singapore-based AHH, which they acquired in November 2024. Going forward, SBC aims to expand its clinic network in Southeast Asia through M&A.

In April 2025, Mr. Stephen Rodgers, who previously worked on global business development and M&A at Rakuten and Amazon, assumed the role of Head of Overseas Business Planning. In July, Mr. Shinya Inoue, who has experience in brand strategy at P&G Japan and Eli Lilly Japan, among others, was appointed CMO. Additionally, Dr. Steven R. Cohen, a world-renowned authority in plastic surgery and craniofacial surgery, joined as an advisor. These moves signal a push to strengthen overseas operations.

4. Stock Price Trend and Valuation

1）Stock Price Trend

The Market Has Shifted from a Downward Trend to a Phase of Consolidating the Bottom of the Cycle

SBC listed on NASDAQ on September 18, 2024. Its stock price rose to $9.61 on September 27, immediately after listing, but subsequently trended downward, hitting a low of $2.95 on April 2, 2025.This decline is likely attributable to the YoY decrease in operating profit reported in the Q3 results (announced November 13, 2024) and the Q4 results (announced March 28, 2025) for FY12/24.

Results for Q3 FY12/25, announced on May 15, 2025, showed operating profit down 1% YoY but up 5.1x QoQ, confirming a bottoming out of profits. SBC simultaneously announced it would commence a share buyback program capped at $5 million starting May 20. Subsequently, the share buyback and the profit bottoming out were well received, leading the stock price, which had been trading in the mid-$3 range, to consolidate its downside.

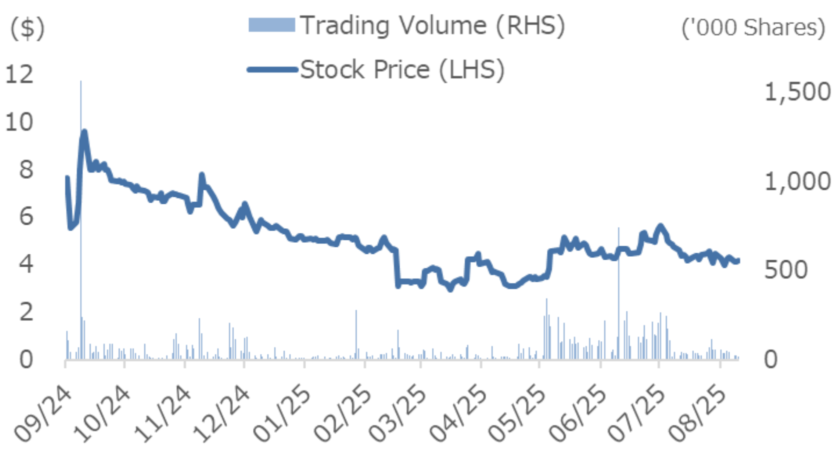
Share Buybacks and Inclusion in the Russell 3000 Index Drove the Stock Price Higher through Mid-July

SBC shares were newly added to the Russell 3000 Index, which comprises the top 3,000 U.S.-listed stocks by market capitalization, effective June 30. Supported by share buybacks and investments from index funds, the stock rose to $5.65 on July 18.

If Profit Recovery is Confirmed in Q3 & Subsequent Earnings Reports, We Can Expect the Stock Price to Rise

Following the completion of the share buyback program, the stock price fell below $5 in late July. After the release of disappointing results for FY12/25 Q2 on August 13, the stock price temporarily dipped below $4. However, following management's presentation of an outlook for future profit recovery during the earnings conference call, the stock is currently trading between $4.0 and $4.5. If quarterly profit recovery is confirmed in Q3 and subsequent earnings reports, a substantial stock price increase can be anticipated.

Figure 6. SBC Stock Price and Trading Volumes



Source: Strategy Advisors

2）Comparison with Other Companies in the Industry (Cosmetic Medicine Company)

SBC is a Leading Company in the Aesthetic Medicine Industry, Yet its Undervalued

Among the world's nine major publicly listed aesthetic medical companies, SBC has established itself as an industry leader. It ranks first in enterprise value ($291 million), second in EBITDA ($76 million), and boasts the second-highest ROE at 29%. However, despite these strong performance metrics, the company's valuation appears low compared to its peers. Its EV/EBITDA ratio of 4x is the third lowest, following EC Healthcare (2138 HK) and Miricor Enterprises Holdings (1827 HK). Furthermore, its PER remains at 9x (the second lowest, excluding the two loss-making companies) and its PBR of 2x is the fourth lowest. These figures suggest that SBC is relatively undervalued.

The Recognition of One-Time Expenses for Two Consecutive Quarters has Impacted Valuation Levels

Reasons for the undervalued stock price include stock-based compensation expenses ($14 million) for warrants issued to parties who supported the company's listing in FY12/24 Q3, resulting in an operating income of $14 million (-31% YoY). Additionally, a Q4 impairment loss ($15 million) led to an operating profit of $5 million (-80% YoY). However, in FY12/25 Q1, there were no one-time expenses, and operating profit recovered to $24 million (-1% YoY). Subsequently, SBC's valuation rose slightly through mid-July.

Figure 7. Enterprise Value to EBITDA (EV/EBITDA Multiple), PBR and ROE of Major Listed Cosmetic Medical Companies

Company Name	Ticker	Country	EBITDA-a*	Enterprise Value-b*	b/a	ROE	PBR	PER
			($ mn)	($ mn)	(x)	(%)	(x)	(x)
SBC Medical Group HD	**SBC**	**Japan**	**76**	**291**	**3.8**	**29.1**	**2.2**	**8.7**
M1 Kliniken AG	M12	Germany	35	285	8.1	14.6	2.5	16.2
EC Healthcare	02138	Hong Kong	77	189	2.5	-8.9	0.4	-
Fameglow Holdings	08603	Hong Kong	15	181	12.1	55.0	12.8	29.7
Klinique Medical Clinic	KLINIQ	Thailand	21	152	7.4	18.5	3.0	16.4
Master Style PCL	MASTER	Thailand	21	130	6.2	14.2	1.1	8.5
Miricor Enterprises Holdings	01827	Hong Kong	13	45	3.5	7.5	3.0	41.5
Dc Healthcare Holdings	0283	Malaysia	0	36	139.2	-25.1	3.0	-
Aesthetic Connect PCL	TRP	Thailand	5	32	7.0	6.8	1.1	16.6

Note: EBITDA and ROE are for the most recent one-year period.

Source: Company Data. Compiled by Strategy Advisors.

Figure 8. Sales, # of Clinics, and Major Medical Specialties of Major Listed Cosmetic Medical Companies ($ mn)

Company Name	Country	Sales	# of Clinics	Medical Department									
				Face		Dermatology		Body				Cosmetic Dentistry	Fertility
				Eyes	Other	Elect	Insurance	Hair Removal	Fat	Breast	Hair Growth		
SBC Medical Group	**Japan**	**188**	**259**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**
EC Healthcare	Hong Kong	531	182	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
M1 Kliniken AG	Germany	367	63	Y	Y	Y	-	-	Y	Y	-	-	-
Klinique Medical Clinic	Thailand	89	72	Y	Y	Y	-	Y	Y	Y	-	-	-
Master Style PCL	Thailand	61	93	Y	Y	Y	-	-	Y	Y	Y	-	-
Miricor Enterprises Holdings	Hong Kong	52	3	-	Y	Y	-	-	-	-	-	-	-
Fameglow Holdings	Hong Kong	56	9	-	-	Y	-	Y	-	-	-	-	-
Dc Healthcare Holdings	Malaysia	14	19	-	Y	Y	-	Y	-	-	-	-	-
Aesthetic Connect PCL	Thailand	14	1	Y	Y	Y	-	-	-	-	-	-	-

Note: Sales figures are for the most recent one-year period. Y = Yes

Source: Company Data. Compiled by Strategy Advisors.

3）Comparison with Other Companies in the Same Industry (General Medical Companies & Cosmetic Medical Companies)

SBC Has a High ROE & Low P/B Ratio, Making it Undervalued

Comparing the top 27 companies offering comprehensive medical services and aesthetic medical services, comprehensive medical companies dominate the top ranks in terms of EBITDA and enterprise value, while aesthetic medical companies cluster at the bottom. Even SBC, a leading company in aesthetic medicine, lags significantly in scale compared to major players in the comprehensive medical field.

However, in terms of ROE, SBC ranks third highest among the 27 companies, positioning it among the top performers for profitability. Regarding PBR, among the 24 companies excluding the 3 for which it could not be calculated, SBC ranks 11th lowest, indicating it is undervalued.

EV/EBITDA also Shows SBC as Undervalued

Even when comparing EV/EBITDA, SBC's multiple of 4x ranks as the third lowest among 27 companies, indicating a strong sense of undervaluation.

As a result, even when including integrated healthcare companies in the comparison, SBC's undervaluation becomes even more pronounced.

SBC Has a Dream of "Creating the World's #1 Medical Group"

SBC's equity story is built on CEO Aikawa's exciting dream of “creating the world's leading healthcare group” and achieving quantitative goals: becoming “Japan's healthcare group with the most patients” by 2030 and aiming to be “the world's healthcare group with the most patients” by 2050.

Currently, HCA Healthcare (HCA NYSE), which boasts the largest EBITDA among publicly traded healthcare companies worldwide, has an enterprise value of $139.9 billion—over 400x SBC's enterprise value. Although a significant gap remains between the two companies' valuations, SBC's status as Japan's only publicly listed aesthetic medical group and its position as a leading company in the global aesthetic medical industry give it the right to pursue ambitious goals.

Figure 9. Enterprise Value to EBITDA Multiple (EV/EBITDA Multiple), PBR and ROE of Major Listed Medical Peer Companies

Company Name	Ticker	Country	Beauty	EBITDA-a* ($ mn)	Enterprise Value-b* ($ mn)	b/a (x)	ROE (%)	PBR (x)	PER (x)
HCA Healthcare Inc	HCA	US	-	14,360	139,946	9.7	-	-	15.3
Tenet Healthcare Corp	THC	US	-	4,615	30,288	6.6	41.1	4.1	10.2
Fresenius Medical Care	FME	Germany	-	3,361	26,234	7.8	4.8	0.9	19.0
DaVita Inc	DVA	US	-	2,709	23,629	8.7	-	-	11.5
IHH Healthcare Bhd	5225	Malaysia	-	1,358	17,569	12.9	8.0	2.0	25.4
Universal Health Services	UHS	US	-	2,425	16,346	6.7	18.7	1.6	9.0
Aier Eye Hospital Group Co Ltd	300015	China	-	810	16,070	19.8	17.9	5.5	32.5
Max Healthcare Institute Ltd	543220	India	-	213	14,682	68.9	12.1	13.1	114.5
Rede d or Sao Luiz SA	RDOR3	Brazil	-	1,186	14,661	12.4	16.7	3.0	18.7
Community Health Systems	CYH	US	-	1,475	11,954	8.1	-	-	-
Bangkok Dusit Medical Services	BDMS	Thailand	-	780	10,981	14.1	15.9	3.5	22.4
Surgery Partners Inc	SGRY	US	-	522	8,480	16.2	-9.8	1.7	-
Medicover AB	MCOV B	Sweden	-	347	5,933	17.1	9.0	7.9	85.4
Hapvida Participacoes Investimento	HAPV3	Brazil	-	550	4,481	8.1	-1.1	0.4	-
Meinian Onehealth Healthcare	2044	China	-	191	3,114	16.3	3.9	2.6	68.4
Terveystalo PLC	TTALO	Finland	-	251	2,192	8.7	16.9	2.5	15.1
Pihlajalinna Oyj	PIHLIS	Finland	-	116	605	5.2	21.0	2.0	10.3
MediClin AG	MED	Germany	-	113	525	4.6	12.4	0.6	5.4
SBC Medical Group HD	**SBC**	**Japan**	**Y**	**76**	**291**	**3.8**	**29.1**	**2.2**	**8.7**
M1 Kliniken AG	M12	Germany	Y	35	285	8.1	14.6	2.5	16.2
EC Healthcare	02138	Hong Kong	Y	77	189	2.5	-8.9	0.4	-
Fameglow Holdings	08603	Hong Kong	Y	15	181	12.1	55.0	12.8	29.7
Klinique Medical Clinic	KLINIQ	Thailand	Y	21	152	7.4	18.5	3.0	16.4
Master Style PCL	MASTER	Thailand	Y	21	130	6.2	14.2	1.1	8.5
Miricor Enterprises HD	01827	Hong Kong	Y	13	45	3.5	7.5	3.0	41.5
Dc Healthcare Holdings	0283	Malaysia	Y	0	36	139.2	-25.1	3.0	-
Aesthetic Connect PCL	TRP	Thailand	Y	5	32	7.0	6.8	1.1	16.6

Note: EBITDA and ROE are for the most recent one-year period. Y=Yes

Source: Company Data. Compiled by Strategy Advisors.

Figure 10. Quarterly Financial Performance Trends (Cumulative, $ mn)

FY	12/23				12/24				12/25	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total Revenues	**43**	**84**	**131**	**194**	**55**	**108**	**161**	**205**	**47**	**91**
(YoY)	-	-	-	11.1%	27.5%	28.6%	22.7%	6.1%	-13.6%	-16.0%
Franchise Revenue	7	17	25	42	15	30	45	61	16	26
Procurement Services	13	26	34	53	13	27	44	55	14	30
Management Services	17	31	53	72	16	32	44	53	9	14
Rental Services	2	3	4	7	4	7	11	16	6	12
Other	4	7	12	19	7	12	15	20	3	9
Cost of Revenues	14	23	37	56	15	29	39	49	10	23
Gross Profit	**29**	**60**	**94**	**137**	**40**	**79**	**122**	**156**	**38**	**68**
Gross Profit Margin	67.4%	72.0%	71.6%	70.9%	72.1%	73.2%	75.9%	76.0%	79.7%	74.7%
Operating Expenses	17	34	47	67	15	27	57	86	14	29
Income from Operations	**11**	**27**	**47**	**71**	**24**	**52**	**66**	**70**	**24**	**39**
(OP Margin)	25.6%	31.8%	35.6%	36.5%	44.6%	48.0%	40.7%	34.2%	51.1%	42.7%
Total Other Income /Expenses	1	2	3	3	3	3	2	3	7	6
Income before Income Taxes	**12**	**29**	**50**	**74**	**27**	**54**	**67**	**73**	**31**	**45**
Net Income Attributable to Owners of Parent	**6**	**17**	**25**	**39**	**19**	**37**	**40**	**47**	**22**	**24**
EBITDA	**-**	**-**	**56**	**83**	**25**	**54**	**68**	**89**	**25**	**40**
EBITDA Margin	**-**	**-**	**43.0%**	**42.8%**	**46.5%**	**49.7%**	**42.5%**	**43.4%**	**52.5%**	**44.1%**
Depreciation and Amortization	**-**	**-**	**10**	**12**	**1**	**2**	**3**	**4**	**1**	**1**
Impairment Loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15**	**-**	**-**
Ratio of Net Income to Net Sales	14.0%	19.9%	19.1%	20.3%	34.2%	34.5%	24.9%	22.7%	45.4%	26.4%

Source: Company Data. Compiled by Strategy Advisors.

Figure 11. Quarterly Financial Performance Trends ($ mn)

FY	12/23				12/24				12/25	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total Revenues	**43**	**41**	**47**	**62**	**55**	**53**	**53**	**44**	**47**	**43**
(YoY)	-	-	-	-	27.7%	29.5%	12.3%	-28.8%	-13.6%	-18.3%
Franchise Revenue	7	10	8	17	15	15	15	16	16	10
Procurement Services	13	13	8	19	13	14	17	11	14	16
Management Services	17	13	22	19	16	17	12	9	9	5
Rental Services	2	1	1	3	4	3	4	5	6	7
Other	4	3	5	6	7	5	3	5	3	6
Cost of Revenues	14	9	14	19	15	14	10	11	10	13
Gross Profit	**29**	**32**	**33**	**43**	**40**	**39**	**43**	**34**	**38**	**30**
(Gross Profit Margin)	66.5%	77.9%	70.9%	69.6%	72.1%	74.2%	81.5%	76.3%	79.7%	69.2%
Operating Expenses	17	16	13	19	15	12	29	29	14	15
Income from Operations	**11**	**16**	**20**	**24**	**24**	**27**	**14**	**5**	**24**	**15**
(OP Margin)	25.8%	38.0%	42.4%	38.5%	44.6%	51.4%	26.1%	10.6%	51.1%	33.6%
Total Other Income/Expenses	1	1	1	0	3	0	-1	1	7	-1
Income before Income Taxes	**12**	**17**	**21**	**24**	**27**	**27**	**13**	**6**	**31**	**14**
Net Income Attributable to Owners of Parent	**6**	**11**	**8**	**14**	**19**	**18**	**3**	**7**	**22**	**2**
EBITDA	**-**	**-**	**23**	**27**	**25**	**28**	**15**	**21**	**25**	**15**
EBITDA Margin	**-**	**-**	**49.3%**	**42.6%**	**46.5%**	**53.0%**	**28.0%**	**46.6%**	**52.5%**	**35.0%**
Depreciation and Amortization	**-**	**-**	**3**	**3**	**1**	**1**	**1**	**1**	**1**	**1**
Impairment Loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15**	**-**	**-**
Ratio of Net Income to Net Sales	14.0%	26.0%	17.7%	23.0%	34.2%	34.8%	5.3%	14.7%	45.4%	5.7%

Source: Company Data. Compiled by Strategy Advisors.

Figure 12. Consolidated Income Statement ($ mn)

FY	12/22	12/23	12/24
Total Revenues	**174**	**194**	**205**
Franchise Revenue	24	42	61
Procurement Services	54	53	55
Management Services	67	72	53
Rental Services	20	7	16
Other	8	19	20
Cost of Revenues	59	56	49
Gross Profit	**114**	**137**	**156**
Gross Profit Margin	-	70.9%	76.0%
Operating Expenses	94	66	86
Income from Operations	**20**	**71**	**70**
(OP Margin)	-	36.5%	34.2%
Total Other Income/Expenses	4	3	3
Income before Income Taxes	**24**	**74**	**73**
Income Taxes	18	35	27
Net Income Attributable to Owners of Parent	**6**	**39**	**47**
EBITDA	**29**	**83**	**89**
EBITDA Margin	**16.7**	**42.8**	**43.4**
Depreciation and Amortization	**8**	**12**	**4**
Impairment Loss	**-**	**-**	**15**
Ratio of Net Income to Net Sales	3.6%	20.3%	22.7%

Source: Company Data. Compiled by Strategy Advisors.

Figure 13. Consolidated Balance Sheet ($ mn)

FY	12/22	12/23	12/24	12/25 H1
Cash and Cash Equivalents	51	103	125	153
Trade Receivables	-	36	30	51
Inventories	-	3	1	2
Other Current Assets	-	24	28	36
Total Current Assets	**112**	**166**	**184**	**241**
Tangible fixed assets	15	14	9	8
Intangible Assets	7	20	2	2
Goodwill	-	4	5	5
Other Non-Current Assets	91	55	66	59
Total Non-Current Assets	**113**	**93**	**82**	**74**
Total Assets	**225**	**259**	**266**	**315**
Trade Payables	15	30	15	23
Interest-Bearing Debt	8	4	4	4
Other Current Liabilities	78	59	42	34
Total Current Liabilities	**101**	**92**	**61**	**61**
Interest-Bearing Debt	8	4	8	8
Other Non-Current Liabilities	8	19	2	2
Total Non-Current Liabilities	**16**	**23**	**10**	**10**
Total Liabilities	**117**	**115**	**71**	**71**
Capital & Surplus	27	37	63	72
Retained Earnings	103	143	189	213
Other	-25	-38	-57	-41
Total Equity Attributable to Owners of the Parent	**105**	**142**	**195**	**245**
Non-controlling Interest	3	2	0	0
Total Stockholders' Equity	108	144	195	**245**
Total Liabilities and Equity	**225**	**259**	**266**	**315**

Source: Company Data. Compiled by Strategy Advisors.

Figure 14. Consolidated Cash Flow Statement ($ mn)

FY	12/22	12/23	12/24	12/25 H1
Net Income	6	39	47	24
Depreciation and Amortization	6	12	4	1
Impairment Loss	1	0	16	-
Adjustments to Operating Income/Losses	-2	0	-3	9
Deferred Income Taxes	-4	4	-14	7
Other Non-Cash Expenses	-11	-8	-47	-33
Change in Working Capital	3	3	4	-7
Cash Flows from Operating Activities	**0**	**51**	**21**	**-6**
Acquisition and Sale of Tangible Fixed Assets	-23	-1	-3	-1
Acquisition and Sale of Intangible Fixed Assets	0	-2	0	-
Acquisition and Sale of Businesses	-6	1	-5	0
Change in investment assets	-3	2	0	-1
Other	-1	2	-1	16
Cash Flows from Investing Activities	**-33**	**2**	**-10**	**15**
Increase and Repayment of Debt	-5	4	12	0
Issuance, Redemption and Cancellation of Shares	0	0	0	-2
Other Financial Cash Flows	-3	3	11	10
Cash Flows from Financing Activities	**-8**	**6**	**23**	**7**
Free Cash Flow	**-33**	**52**	**10**	**9**

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. Stock Price Index, ROE and KPI's

FY	12/22	12/23	12/24	12/25 H1
EPS ($)	0.06	0.42	0.48	0.23
BPS ($)	1.04	1.51	1.90	-
DPS ($)	0.0	0.0	0.0	0.0
Dividend Payout Ratio	-	-	-	-
Closing Price ($)	-	-	5.56	-
PER (x)	-	-	11.5	-
PBR (x)	-	-	2.8	-
# of Shares Outstanding at End of Period ('000)	-	-	103,021	103,881
# of Treasury Stocks ('000)	-	-	270	783
# of shares of Outstanding excl. Treasury Stocks ('000)	100,743	100,743	102,751	103,098
Market Cap. ($ mn)	-	-	571	-
Shareholders' Equity Ratio	46.7	54.9	73.3	77.6%
Interest-Bearing Debt ($ mn)	16	23	13	12
Net D/E ratio	-0.34	-0.56	-0.58	-0.57
EV (Enterprise Value)	-	-	460	-
EBITDA ($ mn)	29	83	89	40
EV/EBITDA multiple	-	-	5.16	-
ROE	-	31.8	27.6	-
ROIC (Invested Capital)	-	26.5	25.0	-
ROIC (Business Assets)	-	73.4	130.7	-
Number of Employees	-	-	863	-

Note: Stock prices and valuations are as of the end of the fiscal year or quarter.

Source: Company Data. Compiled by Strategy Advisors.

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