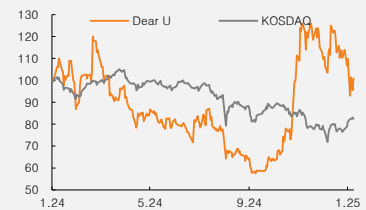


(Maintain)	Buy
Target price	W42,000
Current price (1/10/25)	W31,950
Upside	31.5%

OP (24F, Wbn)	27
Consensus OP (24F, Wbn)	28
EPS growth (24F, %)	0.0
Market EPS growth (24F, %)	70.6
P/E (24F, x)	32.6
Market P/E (24F, x)	10.6
KOSDAQ	717.89

Market cap (Wbn)	758
Shares (mn)	24
Free float (%)	64.8
Foreign ownership (%)	3.7
Beta (12M)	1.26
52-week low (W)	18,220
52-week high (W)	39,900

(%)	1M	6M	12M
Absolute	-10.3	26.0	-4.8
Relative	-17.3	50.7	16.1



Mirae Asset Securities Co., Ltd.

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Dear U

China momentum to materialize soon

4Q24 preview: Revenue of W16.9bn and OP of W5.8bn

For 4Q24, we expect Dear U to report revenue of W16.9bn and operating profit of W5.8bn, below the consensus estimates (revenue of W19.9bn and operating profit of W7.3bn). MAUs appear to have declined slightly QoQ, and the company likely incurred R&D expenses related to AI initiatives and impairment losses associated with artist contract payments.

2025 outlook: A year of fundamental improvements

In 2025, we look for improvements in both revenue growth and profitability. In addition to growth in domestic services fueled by the launch of new artists/IPs, we expect expansion in China to significantly boost revenue.

Under a strategic partnership with Tencent Music Entertainment (TME) announced in Oct. 2024, Dear U is preparing to integrate its fan communication platform into major Chinese music apps. Related development work and efforts to finalize artist contracts are ongoing, and we expect announcements regarding artist agreements to follow soon.

In China, the Dear U app is currently accessible only on iOS, which accounts for just 16% of the Chinese smartphone market (as of 1Q24). However, given that 32% of the app's measurable global MAUs are from China (as of Oct. 2024), we believe Chinese MAUs could increase significantly going forward (potentially doubling from the current level).

Meanwhile, the company is moving to introduce a payment gateway (PG) service to reduce costs. Like many other online service providers, Dear U is aiming to reduce payment processing fees by incentivizing users to choose PC-based payments over in-app transactions (for which Google and Apple charge fees as high as 20-30%).

(Dec.)	2021	2022	2023	2024F	2025F
Revenue (Wbn)	40	49	76	74	98
OP (Wbn)	13	16	29	27	47
OP margin (%)	32.5	32.7	38.2	36.5	48.0
NP (Wbn)	-25	16	26	26	38
EPS (W)	-1,349	732	1,104	1,105	1,604
ROE (%)	-41.6	12.4	16.9	14.4	17.7
P/E (x)	-	39.4	29.1	32.6	19.9
P/B (x)	14.6	4.8	4.5	4.4	3.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Notes: Under non-consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

Table 1. Quarterly and annual earnings (consolidated)

(Wbn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24F	2023	2024F	2025F
Revenue	16.4	19.1	19.4	20.9	20.3	19.1	17.9	16.9	75.7	74.2	98.0
QoQ/YoY	20%	17%	1%	8%	-3%	-6%	-6%	-5%	54%	-2%	32%
OP	5.7	6.7	7.3	8.8	7.2	7.1	6.5	5.8	28.6	26.6	46.8
QoQ/YoY	34%	18%	8%	21%	-19%	-1%	-8%	-11%	76%	-7%	76%
OP margin	35%	35%	38%	42%	35%	37%	36%	34%	38%	36%	48%

Source: Mirae Asset Securities Research

Table 2. Valuation table

	Value	Notes
2025F NP attr. to owners of the parent (Wbn)	38.1	10% premium to the avg. P/E of JYP Entertainment and SM Entertainment (top agencies' shares rose by an avg. of 10% in May 2024 following reports of a Korean indie band receiving concert permits in China)
Target P/E (x)	26x	
Target market cap (Wbn)	99.1	
No. of shares ('000)	23,738	
TP (W)	42,000	Rounded up
CP (W)	31,950	
Upside	31.5%	

Source: Mirae Asset Securities Research estimates

Dear U (376300 KQ)

Income statement (summarized)

(Wbn)	2022	2023	2024F	2025F
Revenue	49	76	74	98
Cost of revenue	0	0	0	0
GP	49	76	74	98
SG&A expenses	33	47	48	51
OP (adj.)	16	29	27	47
OP	16	29	27	47
Non-operating profit	1	4	6	4
Net financial income	2	5	5	5
Net income from associates	0	0	0	-2
Pretax profit	17	33	33	51
Income tax	1	6	7	13
Profit from continuing operations	16	26	26	38
Profit from discontinued operations	0	0	0	0
NP	16	26	26	38
Attributable to owners	16	26	26	38
Attributable to minority interests	0	0	0	0
Total comprehensive income	17	26	26	38
Attributable to owners	17	26	26	38
Attributable to minority interests	0	0	0	0
EBITDA	17	31	29	49
FCF	21	9	31	34
EBITDA margin (%)	34.7	40.8	39.2	50.0
OP margin (%)	32.7	38.2	36.5	48.0
Net margin (%)	32.7	34.2	35.1	38.8

Balance sheet (summarized)

(Wbn)	2022	2023	2024F	2025F
Current assets	135	147	175	215
Cash & equivalents	84	57	87	131
AR & other receivables	6	12	9	12
Inventory	0	0	0	0
Other current assets	45	78	79	72
Non-current assets	18	43	44	43
Investments in associates	0	0	0	0
PP&E	0	3	5	4
Intangible assets	7	10	10	10
Total assets	153	191	220	259
Current liabilities	11	17	20	21
AP & other payables	8	10	9	12
Short-term financial liabilities	0	1	1	1
Other current liabilities	3	6	10	8
Non-current liabilities	0	4	4	4
Long-term financial liabilities	0	4	4	4
Other non-current liabilities	0	0	0	0
Total liabilities	11	21	24	25
Equity attributable to owners	141	170	196	234
Capital stock	12	12	12	12
Capital surplus	159	162	162	162
Retained earnings	-41	-15	11	50
Minority interests	0	0	0	0
Shareholders' equity	141	170	196	234

Cash flow statement (summarized)

(Wbn)	2022	2023	2024F	2025F
Operating cash flow	21	13	33	34
NP	16	26	26	38
Non-cash income/expenses	2	6	2	9
Depreciation	0	1	1	1
Amortization	0	1	1	1
Other	2	4	0	7
Chg. in working capital	2	-23	6	-5
Chg. in AR & other receivables	-1	-7	2	-2
Chg. in inventory	0	0	0	0
Chg. in AP & other payables	3	2	0	0
Income tax	-1	0	-7	-13
Cash flow from investing activities	29	-41	-4	10
Chg. in PP&E	0	-3	-2	0
Chg. in intangible assets	0	-4	-1	-1
Chg. in financial assets	31	-28	-2	10
Other	-2	-6	1	1
Cash flow from financing activities	8	3	0	0
Chg. in financial liabilities	0	4	0	0
Chg. in equity	9	3	0	0
Dividends	0	0	0	0
Other	-1	-4	0	0
Chg. in cash	57	-27	30	44
Beginning balance	27	84	57	87
Ending balance	84	57	87	131

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

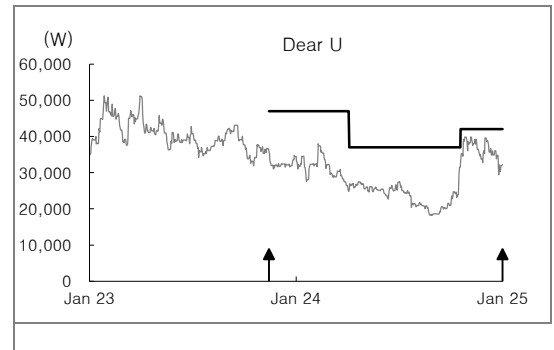
	2022	2023	2024F	2025F
P/E (x)	39.4	29.1	32.6	19.9
P/CF (x)	34.5	23.5	29.9	16.3
P/B (x)	4.8	4.5	4.4	3.2
EV/EBITDA (x)	32.9	21.0	24.6	11.8
EPS (W)	732	1,104	1,105	1,604
CFPS (W)	834	1,365	1,205	1,962
BPS (W)	5,988	7,141	8,245	9,849
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	23.0	53.9	-1.9	32.0
EBITDA growth (%)	23.4	81.4	-6.2	69.8
OP growth (%)	23.0	75.8	-7.2	76.1
EPS growth (%)	TTB	50.9	0.0	45.2
AR turnover (x)	14.2	14.3	12.2	16.3
Inventory turnover (x)	0.0	0.0	0.0	0.0
AP turnover (x)	0.0	0.0	0.0	0.0
ROA (%)	11.5	15.3	12.8	15.9
ROE (%)	12.4	16.9	14.4	17.7
ROIC (%)	286.4	103.0	58.6	97.6
Debt-to-equity ratio (%)	8.0	12.4	12.2	10.6
Current ratio (%)	1,220.9	874.2	893.2	1,049.6
Net debt-to-equity ratio (%)	-89.2	-71.8	-78.1	-79.8
Interest coverage ratio (x)	1,401.5	447.3	211.9	345.6

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
Dear U (376300)	10/31/24	Buy	42,000
	04/17/24	Buy	37,000
	11/27/23	Buy	47,000



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	84.62%	7.14%	8.24%	0%
Investment banking services	85.71%	0%	14.29%	0%

* Based on recommendations in the last 12-months (as of December 31, 2024)

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