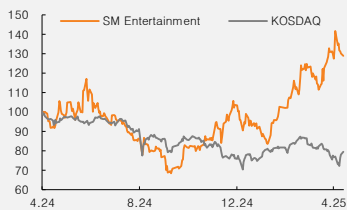


(Maintain)	Buy
Target price	▲ W150,000
Current price (4/14/25)	W105,400
Upside	42.3%

OP (25F, Wbn)	175
Consensus OP (25F, Wbn)	135
EPS growth (25F, %)	591.4
Market EPS growth (25F, %)	25.0
P/E (25F, x)	19.6
Market P/E (25F, x)	9.0
KOSDAQ	711.92

Market cap (Wbn)	2,413
Shares (mn)	23
Free float (%)	58.2
Foreign ownership (%)	14.5
Beta (12M)	0.39
52-week low (W)	56,000
52-week high (W)	115,900

(%)	1M	6M	12M
Absolute	15.6	56.4	40.3
Relative	19.7	69.9	70.3



Mirae Asset Securities Co., Ltd.

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SM Entertainment

Consolidation of Dear U to boost earnings

1Q25 preview: Revenue and OP to miss consensus

For 1Q25, we expect SM Entertainment to post consolidated revenue of W192.8bn (28% below the consensus) and operating profit of W22.7bn (18% below the consensus).

Album/digital music revenue likely fell to W35bn, affected by limited new album releases and a decline in streaming numbers (likely to have fallen 20% YoY and 30% QoQ). Aside from the debut of new girl group Hearts2Hearts, the only major album releases in the quarter were solo albums from WayV's Ten and Red Velvet's Seulgi and an SM Town (collective) album. Meanwhile, concert revenue likely increased to W34.4bn, with concerts by Taeyeon, Aespa, and NCT 127 (as well as fan meetings with NCT members) driving a 66% QoQ increase in total attendance. For the merchandise/licensing division, we estimate revenue at W27bn; "Season's Greetings" product sales were spread across 4Q24 and 1Q25, and only RIIZE and NCT Wish held pop-up store events in 1Q25, likely leading to a subdued performance.

Meanwhile, the company once again recognized annual costs associated with SM Japan's fan club magazine in COGS during the first quarter.

Dear U consolidation to be key to resolving subsidiary-driven earnings misses

Reflecting the consolidation of Dear U, we raised our 2025 revenue, operating profit, and net profit attributable to owners of the parent forecasts by 9%, 45%, and 24%, respectively. In 2024, weak earnings at Japanese subsidiaries and Dream Maker dragged down consolidated results. In contrast, Dear U boasts strong profitability, with a 2024 OP margin of 33% (projected to expand to 49% in 2025). As such, its consolidation is likely to contribute to meaningful margin improvement.

Raise TP to W150,000; maintain Buy

We lift our target price on SM Entertainment from W120,000 to W150,000 (P/E of 26.7x), as we revised up our 2025 net profit attributable to owners of the parent estimate to W126bn to reflect the consolidation of Dear U.

(Dec.)	2022	2023	2024	2025F	2026F
Revenue (Wbn)	851	961	990	1,195	1,358
OP (Wbn)	91	113	87	199	223
OP margin (%)	10.7	11.8	8.8	14.7	16.4
NP (Wbn)	80	87	18	126	131
EPS (W)	3,363	3,664	778	5,380	5,629
ROE (%)	12.2	12.3	2.6	16.4	15.0
P/E (x)	22.8	25.1	97.2	19.6	18.8
P/B (x)	2.6	2.9	2.5	3.0	2.7
Dividend yield (%)	1.6	1.3	0.5	1.1	1.1

Notes: Under 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)

	1Q24	2Q24	3Q24	4Q24	1Q25F	2Q25F	3Q25F	4Q25F	2024	2025F	2026F
Revenue	240	273	260	292	193	419	277	333	990	1,195	1,430
YoY	18%	14%	-2%	17%	-20%	54%	7%	14%	11%	12%	15%
SME	136	174	172	182	118	249	166	212	664	745	849
SM C&C	24	28	25	33	22	26	29	36	110	112	115
KeyEast	25	16	13	13	13	27	19	13	68	73	79
Dream Maker	13	8	10	5	26	14	29	24	36	93	112
SMC	27	19	21	20	23	32	21	21	88	97	111
Dear U						25	24	26		75	119
OP	23	32	20	39	23	57	46	73	87	199	260
YoY	-5%	-25%	-66%	96%	-	78%	134%	89%	-24%	76%	27%
OP margin	9%	12%	8%	13%	12%	14%	17%	22%	9%	17%	18%
NP (attr. to owners of the parent)	12	7	6	-7	22	41	34	26	18	126	151
YoY	-44%	-71%	-92%	-83%	86%	465%	440%	-457%	-79%	600%	18%
Net margin	5%	3%	2%	-3%	12%	10%	12%	8%	2%	11%	11%
Standalone revenue											
Albums/digital music	55	72	73	86	36	152	60	78	286	327	365
Appearances	20	21	23	21	19	21	23	25	84	88	91
Concerts	25	37	38	22	34	18	38	57	123	148	176
Merch/licensing	36	44	38	51	28	56	44	51	169	179	214
Other	1	1	1	1	0	1	1	1	3	3	3
Standalone revenue breakdown											
Albums/digital music	40%	41%	42%	47%	31%	61%	36%	37%	43%	44%	43%
Appearances	15%	12%	13%	12%	16%	9%	14%	12%	13%	12%	11%
Concerts	18%	21%	22%	12%	29%	7%	23%	27%	18%	20%	21%
Merch/licensing	26%	25%	22%	28%	24%	23%	27%	24%	25%	24%	25%
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Company data, Mirae Asset Securities Research

Table 2. Earnings forecast revisions

	Previous		Revised		Chg. (%)		Notes
	2025F	2026F	2025F	2026F	2025F	2026F	
Revenue	1,097	1,268	1,195	1,430	9	13	Reflected consolidation of Dear U
OP	137	172	199	179	45	4	
NP (attr. to owners of the parent)	102	131	126	151	24	15	

Source: Mirae Asset Securities Research

Table 3. Valuation table

	Value	Notes
2025F NP attr. to owners of the parent (Wbn)	126	- Avg. P/E was 24.3x in 2017-18, when major boy bands resumed activities in Japan; 10% premium reflects expectations for China's reopening to Korean content (top three agencies' shares rose 10% in May 2024 following reports of China's potential approval of Korean indie band concerts)
Target P/E (x)	26.7x	
Fair market cap (Wbn)	3,351	
No. of shares ('000)	22,895	
TP (W)	150,000	
CP (W)	105,400	
Upside	42.3%	

Source: Mirae Asset Securities Research

SM Entertainment (041510 KQ)

Income statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Revenue	961	990	1,195	1,358
Cost of revenue	620	682	731	819
GP	341	308	464	539
SG&A expenses	228	220	265	316
OP (adj.)	113	87	199	223
OP	113	87	199	223
Non-operating profit	6	-61	19	20
Net financial income	8	7	7	8
Net income from associates	47	-2	23	10
Pretax profit	119	26	218	243
Income tax	36	25	82	73
Profit from continuing operations	83	1	136	170
Profit from discontinued operations	0	0	0	0
NP	83	1	136	170
Attributable to owners	87	18	126	131
Attributable to minority interests	-5	-17	10	38
Total comprehensive income	80	6	136	170
Attributable to owners	86	23	535	670
Attributable to minority interests	-6	-17	-400	-500
EBITDA	171	149	241	289
FCF	94	111	106	213
EBITDA margin (%)	17.8	15.1	20.3	21.3
OP margin (%)	11.8	8.8	14.7	16.4
Net margin (%)	9.1	1.8	10.6	9.6

Cash flow statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Operating cash flow	113	136	136	248
NP	83	1	136	170
Non-cash income/expenses	94	152	117	130
Depreciation	30	33	32	33
Amortization	28	29	34	33
Other	36	90	51	64
Chg. in working capital	-34	6	-66	12
Chg. in AR & other receivables	-1	4	-32	-27
Chg. in inventory	1	-3	-6	-5
Chg. in AP & other payables	-27	-18	43	36
Income tax	-35	-30	-58	-73
Cash flow from investing activities	-83	56	-92	-93
Chg. in PP&E	-19	-22	-30	-35
Chg. in intangible assets	-32	-26	-31	-31
Chg. in financial assets	27	67	-32	-27
Other	-59	37	1	0
Cash flow from financing activities	-43	-144	9	-23
Chg. in financial liabilities	33	-36	-22	5
Chg. in equity	-5	-9	0	0
Dividends	-28	-28	-9	-27
Other	-43	-71	40	-1
Chg. in cash	-14	55	-83	90
Beginning balance	318	303	358	276
Ending balance	303	358	276	366

Source: Company data, Mirae Asset Securities Research estimates

Balance sheet (summarized)

(Wbn)	2023	2024	2025F	2026F
Current assets	858	814	822	991
Cash & equivalents	303	358	276	366
AR & other receivables	153	246	295	337
Inventory	26	28	34	39
Other current assets	376	182	217	249
Non-current assets	683	605	742	790
Investments in associates	168	156	292	334
PP&E	71	76	74	76
Intangible assets	204	140	136	134
Total assets	1,541	1,419	1,564	1,780
Current liabilities	519	485	456	523
AP & other payables	301	290	253	289
Short-term financial liabilities	70	41	19	23
Other current liabilities	148	154	184	211
Non-current liabilities	112	105	113	119
Long-term financial liabilities	76	69	69	69
Other non-current liabilities	36	36	44	50
Total liabilities	632	590	568	642
Equity attributable to owners	722	665	822	926
Capital stock	12	12	12	12
Capital surplus	362	353	353	353
Retained earnings	365	320	436	540
Minority interests	187	164	174	213
Shareholders' equity	909	829	996	1,139

Key valuation metrics/ratios

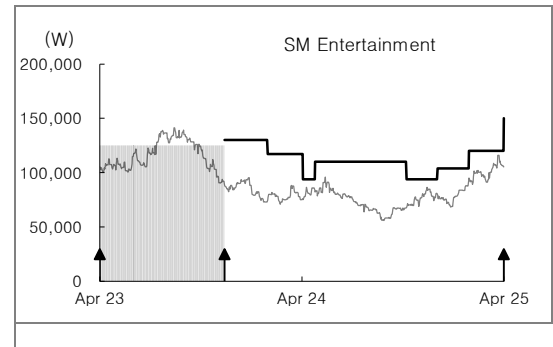
	2023	2024	2025F	2026F
P/E (x)	25.1	97.2	19.6	18.8
P/CF (x)	12.4	11.7	9.8	8.2
P/B (x)	2.9	2.5	3.0	2.7
EV/EBITDA (x)	11.8	10.4	9.4	7.6
EPS (W)	3,664	778	5,380	5,629
CFPS (W)	7,427	6,487	10,819	12,852
BPS (W)	31,631	30,150	35,139	39,591
DPS (W)	1,200	400	1,200	1,200
Dividend payout ratio (%)	34.0	1,118.4	20.2	16.2
Dividend yield (%)	1.3	0.5	1.4	1.4
Revenue growth (%)	13.0	3.0	20.0	14.3
EBITDA growth (%)	12.9	-13.0	61.4	20.0
OP growth (%)	24.7	-23.1	100.0	27.8
EPS growth (%)	8.9	-78.8	591.4	4.6
AR turnover (x)	6.2	6.4	6.8	6.7
Inventory turnover (x)	41.8	36.9	38.5	37.6
AP turnover (x)	2.9	3.2	3.2	3.0
ROA (%)	5.5	0.1	9.1	10.2
ROE (%)	12.3	2.6	16.4	16.5
ROIC (%)	32.1	-1.8	54.1	60.5
Debt-to-equity ratio (%)	69.4	71.2	57.1	56.4
Current ratio (%)	165.3	168.0	180.4	189.4
Net debt-to-equity ratio (%)	-39.0	-44.8	-33.7	-38.8
Interest coverage ratio (x)	19.9	16.0	41.5	58.1

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
SM Entertainment (041510)	04/15/25	Buy	150,000
	02/11/25	Buy	120,000
	12/16/24	Buy	104,000
	10/21/24	Buy	94,000
	05/09/24	Buy	110,000
	04/17/24	Buy	94,000
	02/13/24	Buy	117,000
	11/27/23	Buy	130,000
	10/11/22	No Coverage	



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	83.98%	6.63%	8.84%	0.55%
Investment banking services	88.24%	0%	11.76%	0%

* Based on recommendations in the last 12-months (as of March 31, 2025)

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