

|                         |                  |
|-------------------------|------------------|
| (Maintain)              | <b>Buy</b>       |
| Target price            | <b>▲ W67,000</b> |
| Current price (5/16/25) | W50,000          |
| Upside                  | 34.0%            |

|                            |        |
|----------------------------|--------|
| OP (25F, Wbn)              | 50     |
| Consensus OP (25F, Wbn)    | 41     |
| EPS growth (25F, %)        | 109.9  |
| Market EPS growth (25F, %) | 25.1   |
| P/E (25F, x)               | 27.7   |
| Market P/E (25F, x)        | 9.5    |
| KOSDAQ                     | 725.07 |

|                       |        |
|-----------------------|--------|
| Market cap (Wbn)      | 1,187  |
| Shares (mn)           | 24     |
| Free float (%)        | 49.1   |
| Foreign ownership (%) | 5.8    |
| Beta (12M)            | 1.24   |
| 52-week low (W)       | 18,220 |
| 52-week high (W)      | 50,000 |

| (%)      | 1M   | 6M   | 12M   |
|----------|------|------|-------|
| Absolute | 31.2 | 30.7 | 95.3  |
| Relative | 26.5 | 23.6 | 134.5 |



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# Dear U

## Compelling valuation

### Launch of TME-partnered services slated for final week of June; lift TP to W67,000

Dear U is set to launch its Bubble fan communication service in China in partnership with Tencent Music Entertainment (TME) in the final week of June. Starting with QQ Music, the service will be integrated into several TME apps as artists from key partner agencies are gradually onboarded. Against this backdrop, we lift our target price on the stock to W67,000 (from W52,000). We changed our valuation basis to 2026F net profit attributable to owners of the parent, as TME-related services should be reflected in full-year earnings from next year.

### 2025 outlook: Robust performance likely

In 2Q25, we expect Dear U's subscriber count to rebound to the previous highs seen in 3Q23-1Q24. In 1Q25, the number of subscribers dropped to a two-year low of 1.88mn, mainly due to the withdrawal of Blackpink's Jisoo from the platform. However, with the full backing of parent company SM Entertainment, Dear U is now seeing a surge in subscriber numbers with the return of Exo's Kai and the onboarding of Riize and NCT Wish. Notably, following the additions of Riize and NCT Wish, weekly active users have jumped 20% WoW (based on Sensor Tower data). Subscriber numbers should also receive a boost from: 1) the ongoing comebacks of major artists under SM Entertainment and JYP Entertainment; and 2) the June debut of virtual boy group Plave in Japan.

Meanwhile, in 3Q25, Dear U will begin supporting payment gateway transactions. Currently, over 90% of all payments are made via in-app purchases, which come with steep fees ranging from 15% to 30%; in contrast, payment gateway transaction fees are only 4-6%. In 1Q25, total fees paid (mainly payment processing fees) were equivalent to 48% of revenue and 70% of SG&A expenses. Assuming 50% conversion to payment gateway transactions, total fees paid should fall to levels equivalent to less than 30% of revenue. Dear U also plans to offer incentives to encourage users to switch to web-based payments, suggesting additional upside for profits.

### 2026 outlook: More catalysts to come

Looking ahead to 2026, additional share price momentum will likely come from: 1) the onboarding of Chinese artists; 2) the onboarding of K-pop artists on Bubble for Japan; and 3) broader monetization of character-based IP.

| (Dec.)             | 2023  | 2024 | 2025F | 2026F | 2027F |
|--------------------|-------|------|-------|-------|-------|
| Revenue (Wbn)      | 76    | 75   | 98    | 115   | 177   |
| OP (Wbn)           | 29    | 25   | 50    | 69    | 106   |
| OP margin (%)      | 38.2  | 33.3 | 51.0  | 60.0  | 59.9  |
| NP (Wbn)           | 26    | 20   | 43    | 58    | 93    |
| EPS (W)            | 1,104 | 859  | 1,803 | 2,455 | 3,910 |
| ROE (%)            | 16.9  | 11.3 | 20.5  | 22.9  | 28.6  |
| P/E (x)            | 29.1  | 42.0 | 27.7  | 20.4  | 12.8  |
| P/B (x)            | 4.5   | 4.5  | 5.2   | 4.2   | 3.2   |
| Dividend yield (%) | 0.0   | 0.6  | 0.4   | 0.4   | 0.4   |

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)

|                               | 1Q24  | 2Q24  | 3Q24  | 4Q24  | 1Q25  | 2Q25F | 3Q25F | 4Q25F | 2023  | 2024  | 2025F | 2026F |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue                       | 20.3  | 19.1  | 17.7  | 17.8  | 17.5  | 23.7  | 27.5  | 29.6  | 75.7  | 74.9  | 98.4  | 115.2 |
| QoQ/YoY                       | -3%   | -6%   | -7%   | 0%    | -1%   | 35%   | 11%   | 8%    | 54%   | -1%   | 28%   | 15%   |
| Japan royalty revenue         |       | 0.01  | 0.04  | 0.05  |       | 0.10  | 0.14  | 0.18  |       | 0.10  | 0.50  | 0.72  |
| China royalty revenue         |       |       |       |       |       | 0.0   | 1.3   | 1.4   |       |       | 2.7   | 5.0   |
| SG&A                          | 13.1  | 12.0  | 11.4  | 12.9  | 12.1  | 15.1  | 10.3  | 11.1  | 47.1  | 49.4  | 48.4  | 46.1  |
| Wages                         | 3.4   | 3.0   | 2.5   | 2.7   | 2.7   | 4.0   | 3.1   | 3.4   | 9.6   | 11.6  | 13.8  | 15.5  |
| Commissions paid              | 8.7   | 8.2   | 8.1   | 8.4   | 8.4   | 10.1  | 6.2   | 6.6   | 34.6  | 33.4  | 31.3  | 25.8  |
| OP                            | 7.2   | 7.1   | 6.3   | 4.9   | 5.2   | 8.6   | 17.3  | 18.5  | 28.6  | 25.4  | 49.9  | 69.2  |
| OP margin                     | 35%   | 37%   | 36%   | 27%   | 30%   | 36%   | 61%   | 61%   | 38%   | 34%   | 49%   | 58%   |
| QoQ/YoY                       | -19%  | -1%   | -10%  | -23%  | 13%   | 58%   | 85%   | 8%    | 76%   | -11%  | 86%   | 36%   |
| Key data                      |       |       |       |       |       |       |       |       |       |       |       |       |
| Monthly avg. subscribers (mn) | 2.3   | 2.2   | 2.0   | 1.9   | 2.0   | 2.3   | 2.5   | 2.6   | 2.2   | 2.1   | 2.3   | 2.6   |
| Monthly ARPU (W)              | 2,939 | 2,956 | 2,919 | 3,118 | 3,274 | 3,112 | 3,236 | 3,236 | 2,835 | 2,981 | 3,432 | 3,510 |
| No. of artists/groups         | 607   | 613   | 622   | 627   | 627   | 656   | 662   | 662   | 482   | 610   | 634   | 647   |

Source: Mirae Asset Securities Research estimates

**Table 2. Valuation table**

|  | Value  |   |
|--|--------|---|
| 2026F NP attr. to owners of the parent (Wbn) | 58.3   |   |
| Target P/E (x)                               | 27.4   | Avg. target P/E of SM Entertainment and JYP Entertainment |
| Target market cap (Wbn)                      | 1,594  |   |
| No. of shares ('000)                         | 23,738 |   |
| TP (W)                                       | 67,000 |   |
| CP (W)                                       | 50,000 |   |
| Upside                                       | 34.0%  |   |

Source: Mirae Asset Securities Research estimates

**Table 1. K-pop artists: Incremental revenue estimates by scenario (TME partnership)**

|   | 1Q25 | 2Q25F | 3Q25F | 4Q25F | 2025F | 2026F  |
|---|------|-------|-------|-------|-------|--------|
| Existing subscriber base                      |      |       |       |       |       |        |
| Monthly avg. subscribers (mn)                 | 1.88 | 2.31  | 2.48  | 2.58  | 2.3   | 2.8    |
| Share of subscribers from China               | 35%  | 35%   | 35%   | 35%   | 32%   | 32%    |
| Subscribers from China (mn)                   | 0.66 | 0.81  | 0.87  | 0.90  | 0.81  | 0.91   |
| China iOS share assumptions                   |      |       |       |       |       |        |
| Bear  | 69%  | 69%   | 69%   | 69%   | 69%   | 69%    |
| Base  | 54%  | 54%   | 54%   | 54%   | 54%   | 54%    |
| Bull  | 28%  | 28%   | 28%   | 28%   | 28%   | 28%    |
| Potential additional monthly users from China |      |       |       |       |       |        |
| Bear  |      |       | 0.39  | 0.40  | 0.36  | 0.41   |
| Base  |      |       | 0.74  | 0.77  | 0.69  | 0.77   |
| Bull  |      |       | 2.24  | 2.33  | 2.09  | 2.35   |
| TME revenue (CNYmn)                           |      |       |       |       |       |        |
| Bear  |      |       | 27    | 27    | 67    | 137    |
| Base  |      |       | 51    | 51    | 126   | 260    |
| Bull  |      |       | 154   | 154   | 384   | 789    |
| Dear U royalties (CNYmn)                      |      |       |       |       |       |        |
| Bear  |      |       | 2.66  | 2.66  | 7     | 14     |
| Base  |      |       | 5.06  | 5.06  | 13    | 26     |
| Bull  |      |       | 15.37 | 15.37 | 38    | 39     |
| <b>CNY/KRW</b>                                |      |       | 192   | 192   | 192   | 192    |
| Dear U royalties (Wmn)                        |      |       |       |       |       |        |
| Bear  |      |       | 626   | 651   | 1,277 | 2,623  |
| Base  |      |       | 1,188 | 1,236 | 2,425 | 4,983  |
| Bull  |      |       | 3,610 | 3,755 | 7,365 | 15,136 |

Source: Mirae Asset Securities Research estimates

**Table 2. C-pop artists: Incremental revenue estimates by scenario (TME partnership)**

|                        | 1Q25F | 2Q25F | 3Q25F  | 4Q25F  | 2025F |
|------------------------|-------|-------|--------|--------|-------|
| No. of artists/groups  |       |       | 10     | 10     | 10    |
| Subscribers            |       |       | 10,000 | 10,000 | 10000 |
| China revenue (CNYmn)  |       |       | 7.50   | 7.50   | 17    |
| Dear U royalties (Wmn) |       |       | 115.06 | 115.06 | 258   |

Source: Mirae Asset Securities Research estimates

## Dear U (376300 KQ)

## Income statement (summarized)

| (Wbn)                               | 2024      | 2025F     | 2026F      | 2027F      |
|-------------------------------------|-----------|-----------|------------|------------|
| <b>Revenue</b>                      | <b>75</b> | <b>98</b> | <b>115</b> | <b>177</b> |
| <b>Cost of revenue</b>              | <b>0</b>  | <b>0</b>  | <b>0</b>   | <b>0</b>   |
| <b>GP</b>                           | <b>75</b> | <b>98</b> | <b>115</b> | <b>177</b> |
| <b>SG&amp;A expenses</b>            | <b>49</b> | <b>48</b> | <b>46</b>  | <b>71</b>  |
| <b>OP (adj.)</b>                    | <b>25</b> | <b>50</b> | <b>69</b>  | <b>106</b> |
| <b>OP</b>                           | <b>25</b> | <b>50</b> | <b>69</b>  | <b>106</b> |
| <b>Non-operating profit</b>         | <b>1</b>  | <b>4</b>  | <b>5</b>   | <b>12</b>  |
| Net financial income                | 5         | 7         | 9          | 11         |
| Net income from associates          | 0         | 0         | 1          | 0          |
| Pretax profit                       | 26        | 54        | 74         | 118        |
| Income tax                          | 6         | 11        | 16         | 25         |
| Profit from continuing operations   | 20        | 43        | 58         | 93         |
| Profit from discontinued operations | 0         | 0         | 0          | 0          |
| <b>NP</b>                           | <b>20</b> | <b>43</b> | <b>58</b>  | <b>93</b>  |
| Attributable to owners              | 20        | 43        | 58         | 93         |
| Attributable to minority interests  | 0         | 0         | 0          | 0          |
| <b>Total comprehensive income</b>   | <b>20</b> | <b>43</b> | <b>58</b>  | <b>93</b>  |
| Attributable to owners              | 20        | 43        | 58         | 93         |
| Attributable to minority interests  | 0         | 0         | 0          | 0          |
| EBITDA                              | 28        | 52        | 72         | 109        |
| FCF                                 | 23        | 44        | 58         | 91         |
| EBITDA margin (%)                   | 37.3      | 53.1      | 62.6       | 61.6       |
| OP margin (%)                       | 33.3      | 51.0      | 60.0       | 59.9       |
| Net margin (%)                      | 26.7      | 43.9      | 50.4       | 52.5       |

## Balance sheet (summarized)

| (Wbn)                                | 2024       | 2025F      | 2026F      | 2027F      |
|--------------------------------------|------------|------------|------------|------------|
| <b>Current assets</b>                | <b>167</b> | <b>209</b> | <b>264</b> | <b>363</b> |
| Cash & equivalents                   | 107        | 133        | 176        | 228        |
| AR & other receivables               | 11         | 12         | 13         | 19         |
| Inventory                            | 0          | 0          | 0          | 0          |
| Other current assets                 | 49         | 64         | 75         | 116        |
| <b>Non-current assets</b>            | <b>42</b>  | <b>40</b>  | <b>38</b>  | <b>36</b>  |
| Investments in associates            | 0          | 0          | 0          | 0          |
| PP&E                                 | 3          | 2          | 1          | 0          |
| Intangible assets                    | 12         | 10         | 9          | 8          |
| <b>Total assets</b>                  | <b>209</b> | <b>249</b> | <b>302</b> | <b>400</b> |
| <b>Current liabilities</b>           | <b>16</b>  | <b>18</b>  | <b>18</b>  | <b>28</b>  |
| AP & other payables                  | 11         | 12         | 13         | 20         |
| Short-term financial liabilities     | 1          | 0          | 0          | 1          |
| Other current liabilities            | 4          | 6          | 5          | 7          |
| <b>Non-current liabilities</b>       | <b>3</b>   | <b>3</b>   | <b>3</b>   | <b>3</b>   |
| Long-term financial liabilities      | 3          | 3          | 3          | 3          |
| Other non-current liabilities        | 0          | 0          | 0          | 0          |
| <b>Total liabilities</b>             | <b>19</b>  | <b>21</b>  | <b>21</b>  | <b>31</b>  |
| <b>Equity attributable to owners</b> | <b>190</b> | <b>228</b> | <b>281</b> | <b>369</b> |
| Capital stock                        | 12         | 12         | 12         | 12         |
| Capital surplus                      | 162        | 162        | 162        | 162        |
| Retained earnings                    | 6          | 43         | 97         | 184        |
| <b>Minority interests</b>            | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   |
| <b>Shareholders' equity</b>          | <b>190</b> | <b>228</b> | <b>281</b> | <b>369</b> |

## Cash flow statement (summarized)

| (Wbn)                                      | 2024      | 2025F      | 2026F      | 2027F      |
|--|-----------|------------|------------|------------|
| <b>Operating cash flow</b>                 | <b>23</b> | <b>44</b>  | <b>59</b>  | <b>91</b>  |
| NP   | 20        | 43         | 58         | 93         |
| Non-cash income/expenses                   | 3         | 7          | 10         | 16         |
| Depreciation                               | 1         | 1          | 1          | 1          |
| Amortization                               | 1         | 1          | 1          | 1          |
| Other                                      | 1         | 5          | 8          | 14         |
| Chg. in working capital                    | 0         | -1         | -2         | -4         |
| Chg. in AR & other receivables             | 1         | 0          | 0          | -4         |
| Chg. in inventory                          | 0         | 0          | 0          | 0          |
| Chg. in AP & other payables                | 0         | 0          | 0          | 0          |
| Income tax                                 | -6        | -11        | -16        | -25        |
| <b>Cash flow from investing activities</b> | <b>28</b> | <b>-13</b> | <b>-10</b> | <b>-34</b> |
| Chg. in PP&E                               | 0         | 0          | -1         | 0          |
| Chg. in intangible assets                  | -3        | 0          | 0          | 0          |
| Chg. in financial assets                   | 29        | -13        | -9         | -34        |
| Other                                      | 2         | 0          | 0          | 0          |
| <b>Cash flow from financing activities</b> | <b>-1</b> | <b>-6</b>  | <b>-5</b>  | <b>-5</b>  |
| Chg. in financial liabilities              | -1        | 0          | 0          | 0          |
| Chg. in equity                             | 0         | 0          | 0          | 0          |
| Dividends                                  | 0         | -5         | -5         | -5         |
| Other                                      | 0         | -1         | 0          | 0          |
| <b>Chg. in cash</b>                        | <b>51</b> | <b>25</b>  | <b>44</b>  | <b>52</b>  |
| Beginning balance                          | 57        | 107        | 133        | 176        |
| Ending balance                             | 107       | 133        | 176        | 228        |

Source: Company data, Mirae Asset Securities Research estimates

## Key valuation metrics/ratios

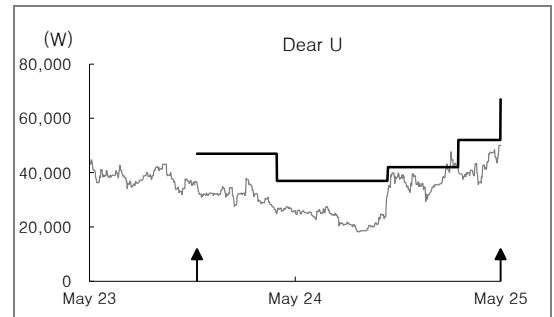
|                              | 2024    | 2025F   | 2026F   | 2027F   |
|------------------------------|---------|---------|---------|---------|
| P/E (x)                      | 42.0    | 27.7    | 20.4    | 12.8    |
| P/CF (x)                     | 37.1    | 23.8    | 17.5    | 10.9    |
| P/B (x)                      | 4.5     | 5.2     | 4.2     | 3.2     |
| EV/EBITDA (x)                | 25.5    | 19.1    | 13.3    | 8.0     |
| EPS (W)                      | 859     | 1,803   | 2,455   | 3,910   |
| CFPS (W)                     | 971     | 2,100   | 2,862   | 4,590   |
| BPS (W)                      | 8,000   | 9,588   | 11,829  | 15,524  |
| DPS (W)                      | 215     | 215     | 215     | 215     |
| Dividend payout ratio (%)    | 25.0    | 11.9    | 8.8     | 5.5     |
| Dividend yield (%)           | 0.6     | 0.5     | 0.5     | 0.5     |
| Revenue growth (%)           | -1.1    | 31.4    | 17.1    | 53.9    |
| EBITDA growth (%)            | -8.4    | 87.9    | 36.6    | 52.0    |
| OP growth (%)                | -11.2   | 96.4    | 38.5    | 53.9    |
| EPS growth (%)               | -22.2   | 109.9   | 36.2    | 59.3    |
| AR turnover (x)              | 11.4    | 15.4    | 17.3    | 20.6    |
| Inventory turnover (x)       | 0.0     | 0.0     | 0.0     | 0.0     |
| AP turnover (x)              | 0.0     | 0.0     | 0.0     | 0.0     |
| ROA (%)                      | 10.2    | 18.7    | 21.2    | 26.5    |
| ROE (%)                      | 11.3    | 20.5    | 22.9    | 28.6    |
| ROIC (%)                     | 57.4    | 101.2   | 140.6   | 210.9   |
| Debt-to-equity ratio (%)     | 10.1    | 9.3     | 7.6     | 8.4     |
| Current ratio (%)            | 1,045.2 | 1,157.6 | 1,455.8 | 1,301.6 |
| Net debt-to-equity ratio (%) | -75.7   | -79.9   | -83.6   | -86.8   |
| Interest coverage ratio (x)  | 227.6   | 515.5   | 759.0   | 1,136.9 |

# Appendix 1

## Important disclosures and disclaimers

### Two-year rating and TP history

| Company         | Date     | Rating | TP (₩) |
|-----------------|----------|--------|--------|
| Dear U (376300) | 05/19/25 | Buy    | 67,000 |
|                 | 03/05/25 | Buy    | 52,000 |
|                 | 10/31/24 | Buy    | 42,000 |
|                 | 04/17/24 | Buy    | 37,000 |
|                 | 11/27/23 | Buy    | 47,000 |



### Stock ratings

|      |  |
|------|--|
| Buy  | Expected 12-month return: +20% or greater                      |
| Hold | Expected 12-month return: Greater than -10% and less than +10% |
| Sell | Expected 12-month return: -10% or less                         |

### 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         |

As of May 12, 2025, the Trading Buy rating category has been removed from our investment rating system.

Stocks expected to deliver a 12-month return between +10% and less than +20% may be rated either Buy or Hold at the discretion of the research analyst.

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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