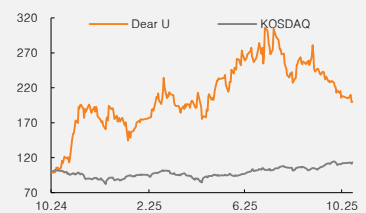


(Maintain)	Buy
Target price	▼ W54,000
Current price (10/15/25)	W40,700
Upside	32.7%

OP (25F, Wbn)	32
Consensus OP (25F, Wbn)	36
EPS growth (25F, %)	-7.3
Market EPS growth (25F, %)	24.7
P/E (25F, x)	42.7
Market P/E (25F, x)	13.1
KOSDAQ	864.72

Market cap (Wbn)	966
Shares (mn)	24
Free float (%)	49.1
Foreign ownership (%)	6.8
Beta (12M)	1.10
52-week low (W)	22,800
52-week high (W)	62,200

(%)	1M	6M	12M
Absolute	-12.6	5.9	72.8
Relative	-13.8	-12.9	54.7



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Dear U

Some patience required

3Q25 preview: Revenue of W23bn and OP of W9.3bn

For 3Q25, we expect Dear U to report revenue of W23bn and operating profit of W9.3bn, missing the consensus (W24.3bn and W11.4bn, respectively).

The key earnings variables for Dear U are: 1) additional net revenue from Tencent Music Entertainment's (TME) in-app Bubble service; and 2) the payment gateway conversion rate. We previously shared three scenarios for potential revenue from the TME partnership and applied the base case (W1bn quarterly) to our earnings estimates. However, TME's in-app launch of the Bubble service has not led to visible changes in QQ Music's MAUs or revenue. Accordingly, we are now reflecting the bear-case scenario and thus lower our quarterly revenue forecasts.

We also lowered our assumptions for revenue contributions from local (C-pop, etc.) artists. Onboarded artists include Hu Xia, the seven members of Thai group Next1DE, and the seven members of Chinese group R.E.D. However, with the exception of Hu Xia, these are newer artists that have yet to build solid fan bases. Thus, we lower our estimate for subscribers per artist to 2,500 (from 10,000). Our revised estimate is based on the figure recorded by Bubble for Japan immediately after its launch. Meanwhile, the payment gateway transaction conversion rate remains unchanged at 10%.

A matter of time

We cut our target price for Dear U from W67,000 to W54,000, as we revised down our 2026F net profit attributable to owners of the parent to W46.4bn following our adjustment to our TME earnings contribution assumptions (base case → bear case).

Nevertheless, we retain our Buy rating on Dear U, as we believe sustainable growth conditions have taken shape. The company is seeking earnings growth mainly through: 1) TAM expansion leveraging local artists/content; and 2) cost reductions. TME's in-app service—a key pillar of TAM expansion efforts—has been launched, and the focus is now shifting to the recruitment of local groups/artists. Notably, TME is actively seeking to increase ARPU while locking in subscribers, with the Bubble service anticipated to play a role. Initially, K-pop artists/content were used to draw Chinese users to Bubble, but active efforts to recruit Chinese artists are now underway. In addition, TME is using various strategies to promote Bubble, including the launch of a CNY56 plan bundling QQ Music's SVIP membership with two Bubble subscriptions. In Japan and the US, efforts are ongoing to leverage partners' networks to onboard local artists. All in all, we believe TAM expansion efforts will keep potential earnings upside intact this year.

(Dec.)	2022	2023	2024	2025F	2026F
Revenue (Wbn)	49	76	75	84	107
OP (Wbn)	16	29	25	32	51
OP margin (%)	32.7	38.2	33.3	38.1	47.7
NP (Wbn)	16	26	24	23	46
EPS (W)	732	1,104	1,027	952	1,956
ROE (%)	12.4	16.9	13.3	11.0	19.8
P/E (x)	39.4	29.1	35.1	42.7	20.8
P/B (x)	4.8	4.5	4.4	4.5	3.8
Dividend yield (%)	0.0	0.0	0.6	0.5	0.5

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	1Q25	2Q25	3Q25F	4Q25F	2023	2024	2025F	2026F
Revenue	20.3	19.1	17.7	17.8	17.5	20.2	23.0	23.5	75.7	74.9	84.3	107.4
QoQ/YoY	-3%	-6%	-7%	0%	-1%	15%	11%	2%	54%	-1%	11%	26%
Parent revenue						20.2	22.3	22.8	75.7	74.8	82.8	104.0
Japan royalty revenue		0.01	0.04	0.05		0.09	0.10	0.10		0.11	0.37	0.53
China royalty revenue						0.0	0.6	0.6			1.2	2.9
SG&A	13.1	12.0	11.4	12.9	12.1	12.7	13.7	14.1	47.1	49.5	52.6	56.0
Wages	3.4	3.0	2.5	2.7	2.7	2.8	3.0	3.2	9.6	11.6	13.0	16.2
Commissions paid	8.7	8.2	8.1	8.4	8.4	9.1	9.7	9.9	34.6	33.4	37.1	35.1
OP	7.2	7.1	6.3	4.9	5.2	7.4	9.3	9.4	28.6	25.4	31.7	51.4
OP margin	35%	37%	36%	27%	30%	37%	39%	38%	38%	34%	38%	48%
QoQ/YoY	-19%	-1%	-10%	-23%	13%	36%	17%	1%	76%	-11%	27%	59%
Key data												
Monthly avg. subscribers (mn)	2.3	2.2	2.0	1.9	2.0	2.2	2.2	2.3	2.2	2.1	2.1	2.5
Monthly ARPU (W)	2,939	2,956	2,919	3,118	3,274	3,101	3,383	3,383	2,835	2,981	3,248	3,416
No. of artists/groups	607	613	622	627	627	656	662	662	482	610	634	647

Source: Mirae Asset Securities Research estimates

Table 2. Earnings forecast revisions

(Wbn)

	Previous		Revised		Chg.		Notes
	25F	26F	25F	26F	25F	26F	
Revenue	91.4	113.9	84.3	107.4	-7.8%	-5.7%	Reflected change in Chinese contribution scenario (base case → bear case)
OP	42.6	64.7	31.7	51.4	-25.6%	-20.6%	
OP margin	45%	55%	37%	46%	-8.0%p	-9.0%p	

Source: Company data, Mirae Asset Securities Research estimates

Table 3. Valuation table

	Value	Notes
2026F NP attr. to owners of the parent (Wbn)	46.4	
Target P/E (x)	27.4	Avg. of SM Entertainment and JYP Entertainment
Target market cap (Wbn)	1,271	
No. of shares ('000)	23,738	
TP (W)	54,000	
CP (W)	40,700	
Upside	32.7%	

Source: Mirae Asset Securities Research estimates

Dear U (376300 KQ)

Income statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Revenue	76	75	84	107
Cost of revenue	0	0	0	0
GP	76	75	84	107
SG&A expenses	47	49	52	56
OP (adj.)	29	25	32	51
OP	29	25	32	51
Non-operating profit	4	6	-3	8
Net financial income	5	6	6	7
Net income from associates	0	0	0	0
Pretax profit	33	31	29	59
Income tax	6	7	6	13
Profit from continuing operations	26	24	23	46
Profit from discontinued operations	0	0	0	0
NP	26	24	23	46
Attributable to owners	26	24	23	46
Attributable to minority interests	0	0	0	0
Total comprehensive income	26	27	23	46
Attributable to owners	26	27	23	46
Attributable to minority interests	0	0	0	0
EBITDA	31	28	35	54
FCF	9	23	22	44
EBITDA margin (%)	40.8	37.3	41.7	50.5
OP margin (%)	38.2	33.3	38.1	47.7
Net margin (%)	34.2	32.0	27.4	43.0

Balance sheet (summarized)

(Wbn)	2023	2024	2025F	2026F
Current assets	147	169	187	232
Cash & equivalents	57	84	92	112
AR & other receivables	12	11	11	14
Inventory	0	0	0	0
Other current assets	78	74	84	106
Non-current assets	43	51	49	48
Investments in associates	0	1	1	1
PP&E	3	3	2	2
Intangible assets	10	12	10	9
Total assets	191	220	236	280
Current liabilities	17	21	20	22
AP & other payables	10	9	11	12
Short-term financial liabilities	1	1	1	1
Other current liabilities	6	11	8	9
Non-current liabilities	4	4	3	3
Long-term financial liabilities	4	3	2	2
Other non-current liabilities	0	1	1	1
Total liabilities	21	24	22	25
Equity attributable to owners	170	196	214	255
Capital stock	12	12	12	12
Capital surplus	162	162	162	162
Retained earnings	-15	10	27	68
Minority interests	0	0	0	0
Shareholders' equity	170	196	214	255

Cash flow statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Operating cash flow	13	24	22	45
NP	26	24	23	46
Non-cash income/expenses	6	8	2	8
Depreciation	1	1	1	1
Amortization	1	1	1	1
Other	4	6	0	6
Chg. in working capital	-23	-14	-3	-4
Chg. in AR & other receivables	-7	2	0	-2
Chg. in inventory	0	0	0	0
Chg. in AP & other payables	2	-1	0	0
Income tax	0	-2	-6	-13
Cash flow from investing activities	-41	3	-8	-20
Chg. in PP&E	-3	0	0	-1
Chg. in intangible assets	-4	-3	0	0
Chg. in financial assets	-28	8	-8	-19
Other	-6	-2	0	0
Cash flow from financing activities	3	-1	-6	-5
Chg. in financial liabilities	4	0	-1	0
Chg. in equity	3	0	0	0
Dividends	0	0	-5	-5
Other	-4	-1	0	0
Chg. in cash	-27	27	8	20
Beginning balance	84	57	84	92
Ending balance	57	84	92	112

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

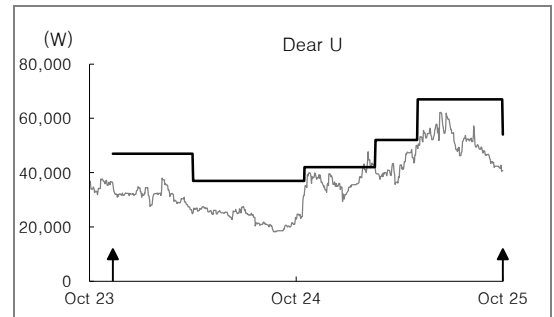
	2023	2024	2025F	2026F
P/E (x)	29.1	35.1	42.7	20.8
P/CF (x)	23.5	26.4	39.0	17.9
P/B (x)	4.5	4.4	4.5	3.8
EV/EBITDA (x)	21.0	25.6	23.2	14.3
EPS (W)	1,104	1,027	952	1,956
CFPS (W)	1,365	1,368	1,044	2,275
BPS (W)	7,141	8,258	8,995	10,737
DPS (W)	0	215	215	215
Dividend payout ratio (%)	0.0	20.9	22.6	11.0
Dividend yield (%)	0.0	0.6	0.5	0.5
Revenue growth (%)	53.9	-1.1	12.6	27.1
EBITDA growth (%)	81.4	-8.4	24.6	54.4
OP growth (%)	75.8	-11.2	26.7	58.9
EPS growth (%)	50.9	-7.0	-7.3	105.4
AR turnover (x)	14.3	11.7	14.3	15.2
Inventory turnover (x)	0.0	0.0	0.0	0.0
AP turnover (x)	0.0	0.0	0.0	0.0
ROA (%)	15.3	11.9	9.9	18.0
ROE (%)	16.9	13.3	11.0	19.8
ROIC (%)	103.0	53.5	58.4	89.6
Debt-to-equity ratio (%)	12.4	12.4	10.5	9.8
Current ratio (%)	874.2	815.9	936.1	1,032.9
Net debt-to-equity ratio (%)	-71.8	-72.3	-74.2	-77.4
Interest coverage ratio (x)	447.3	132.8	200.3	368.1

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
Dear U (376300)	10/16/25	Buy	54,000
	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	78.61%	1.73%	19.08%	0.58%
Investment banking services	84.62%	0%	15.38%	0%

* Based on recommendations in the last 12-months (as of September 30, 2025)

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