COMPANY UPDATE

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Tech Team

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Dear U (376300)

Preparing for the next step

- Dear U reported 1Q consolidated operating profit of KRW9.7b, which slightly missed consensus. But the firm's operating margin stayed at 41.4%.
- As some artists resumed services and new ones signed up for the platform, the average number of Bubble subscribers should bounce back q-q in 2Q.
- Investors need to monitor the performances of the QQ Music-Bubble platform and the progress in an IP-based new business in the US.

WHAT'S THE STORY?

1Q review: Dear U reported 1Q consolidated sales of KRW23.4b (up 33.4% y-y) and operating profit of KRW9.7b (up 76.9% y-y; missing consensus slightly but meeting our estimate). The average number of Bubble subscribers in Korea fell 40,000 q-q to 2.01m, reflecting the impact of some artists leaving the platform, but the number held up well q-q on favorable forex rates. From 1Q26, in accordance with a new accounting policy, royalties from the QQ Music-Bubble platform (China) began to be recognized in the quarter it is generated—for reference, royalties from the platform for both 3Q25 and 4Q25 were booked all at once in 4Q25 results. Meantime, operating margin came in at 41.4% (up 0.4%pt q-q) in 1Q, driven by reduced SG&A expenses, despite hiring at overseas subsidiaries. Pre-tax profit topped consensus, backed by higher financial income.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW45,000	67.3%
Current price	**KRW26,900**	
Market cap	KRW638.56b/USD425.48m	
Shares (float)	23,738,406 (49.7%)	
52-week high/low	KRW62,200/KRW26,900	
Avg daily trading value (60-day)	KRW4.8b/ USD3.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Dear U (%)	-15.3	-18.9	-42.1
Vs Kosdaq (%pts)	-13.6	-35.5	-62.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	45,000	48,000	-6.3%
2026E EPS	1,812	1,763	2.8%
2027E EPS	2,083	2,067	0.8%

SAMSUNG vs THE STREET

No of estimates	14
Target price	48,071
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	23.4	33.4	-1.7	-0.6	-1.5
Operating profit	9.7	77.0	-0.6	2.8	-5.3
Pre-tax profit	15.5	128.8	21.5	28.0	33.0
Net profit	11.8	126.3	14.6	25.4	18.8
Margins (%)					
Operating profit	41.5				
Pre-tax profit	66.2				
Net profit	50.4				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	51.1	14.8	12.9
P/B	4.5	2.6	2.2
EV/EBITDA	23.0	9.9	7.8
Div yield (%)	0.8	1.5	1.7
EPS growth (% y-y)	-23.6	130.9	14.9
ROE (%)	9.2	18.8	18.5
Per-share data (KRW)			
EPS	785	1,812	2,083
BVPS	8,842	10,438	12,121
DPS	316	400	470

Subscriber count poised to rebound: While some artist departures continued into April on contract expirations, the number of Bubble subscribers should bounce back in 2Q, as: 1) a few artists, who fulfilled military service obligations, resumed services; and 2) YH Entertainment's new boy group—scheduled to debut in May—is likely to join the platform, which launched a dedicated app for YH Entertainment in late March. Furthermore, the QQ Music-Bubble service recently rolled out a 'Bubble Mode' interface to enhance user engagement and overall experience (eg, custom notification sounds, pop-up alerts, and chatroom personalization). The number of C-POP artists on the platform has been rising steadily. When high-profile performers join the platform, subscriber growth should accelerate significantly.

New business potential: At its March shareholder meeting, Dear U confirmed an expansion of its business scope, signaling strong potential to launch a US-based IP-driven commerce business (eg, physical merchandise). This move aims to diversify revenue beyond subscription models and strengthen long-term growth drivers. Reflecting a sector-wide valuation decline, we lower our target multiple from 27x P/E to 24x (Bloomberg-based domestic peers' average and Dear U's three-year low P/E) and cut our target price to KRW45,000 (based on 24x forward P/E).

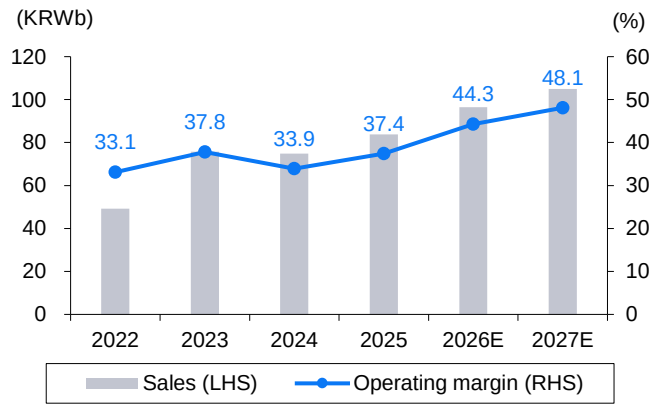
Table 1. Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Operating revenues	20.3	19.1	17.7	17.8	17.5	20.2	22.3	23.8	23.4	23.6	24.3	25.3	74.9	83.8	96.5	105.0
Bubble	20.2	19.0	17.7	17.6	17.4	19.8	22.0	23.1	22.8	22.8	23.3	23.9	74.5	82.3	92.9	97.6
Other	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.7	0.6	0.7	0.9	1.4	0.4	1.5	3.6	7.4
Bubble China (TME)	-	-	-	-	-	-	-	0.4	0.4	0.5	0.7	0.9	-	0.4	2.4	4.9
Operating expenses	13.1	12.0	11.4	12.9	12.1	12.7	13.6	14.0	13.7	13.4	13.3	13.4	49.5	52.4	53.8	54.5
Operating profit	7.2	7.1	6.3	4.9	5.5	7.4	8.7	9.8	9.7	10.2	11.0	11.9	25.4	31.4	42.7	50.5
Operating margin (%)	35.3	37.0	35.8	27.4	31.2	36.9	39.1	41.0	41.4	43.2	45.2	46.9	33.9	37.4	44.3	48.1
Non-operating gains (losses)	4.3	1.5	-2.3	2.2	1.3	-14.1	2.7	3.0	5.8	2.7	2.1	1.4	5.7	-7.1	12.0	12.6
Pre-tax profit	11.5	8.6	4.1	7.1	6.8	-6.7	11.5	12.8	15.5	12.9	13.1	13.3	31.1	24.3	54.8	63.1
Net profit (controlling)	8.9	6.9	3.1	5.5	5.2	-6.6	9.7	10.3	11.8	10.2	10.4	10.6	24.4	18.6	43.0	49.4
Chg (% y-y)																
Operating revenues	24.0	-0.1	-8.5	-14.8	-13.5	5.8	25.8	33.9	33.4	16.7	8.8	6.2	-1.1	12.0	15.1	8.8
Bubble	25.9	1.2	-7.5	-15.0	-14.1	4.3	24.9	31.1	31.6	15.1	5.8	3.4	-0.2	10.5	12.8	5.1
Bubble China (TME)	-78.4	-80.2	-72.5	17.7	176.3	461.6	202.8	333.8	211.4	106.2	263.5	97.9	-64.6	297.9	142.0	104.0
Other	-	-	-	-	-	-	-	-	-	-	-	141.3	-	-	533.4	105.0
Operating expenses	23.7	-2.6	-5.7	7.4	-8.1	6.0	19.3	8.9	13.6	5.0	-2.2	-4.5	5.1	6.1	2.6	1.3
Operating profit	24.6	4.5	-13.1	-44.9	-23.4	5.5	37.4	100.4	76.9	36.7	25.9	21.7	-11.2	23.5	36.0	18.3
Operating margin (%pts)	0.2	1.6	-1.9	-15.0	-4.0	-0.1	3.3	13.6	10.2	6.3	6.2	6.0	-3.9	3.5	6.8	3.8
Non-operating gains (losses)	34.0	48.4	nm	nm	-70.1	nm	nm	37.2	347.1	nm	-22.0	-52.4	42.4	-223.4	-270.2	4.5
Pre-tax profit	28.0	10.3	-55.4	3.5	-40.9	nm	182.2	80.8	128.4	nm	14.4	4.3	-4.6	-21.9	125.2	15.2
Net profit (controlling)	-0.1	44.5	-52.5	-8.4	-41.7	nm	215.2	87.8	125.6	nm	7.4	3.3	-6.9	-23.6	130.9	14.9

Note: Dear U International became a consolidated subsidiary in 2Q24, thus is recognized on a consolidated basis from 2024;
Non-operating expenses in 2Q25 including amortization of the minimum guarantee amount paid upfront to artists at the start of the contract—KRW7.1b by the US subsidiary and KRW4.8b by the parent;
Bubble China (launched with Tencent Music Entertainment) launched on Jun 30, 2025;
QQ Music Bubble revenue recognition changed; 4Q25 revenue reflects cumulative results from 3Q-4Q25, with quarterly recognition from 2026 onward

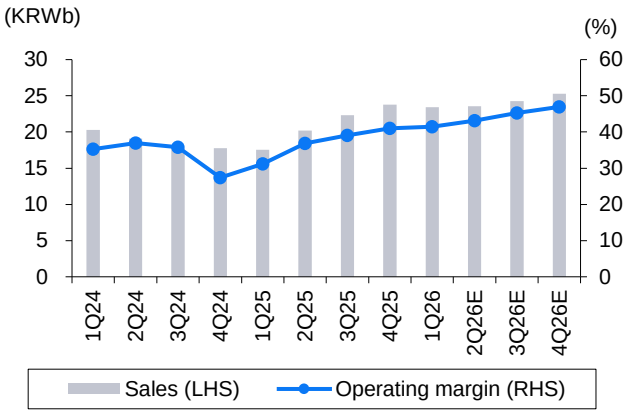
Source: Company data, Samsung Securities

Chart 1. Annual sales and operating margin



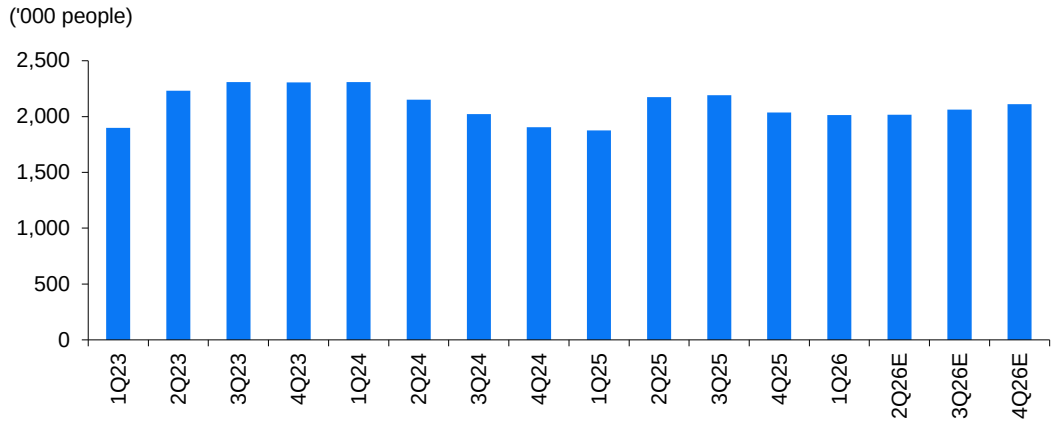
Source: Company data, Samsung Securities

Chart 2. Quarterly sales and operating margin



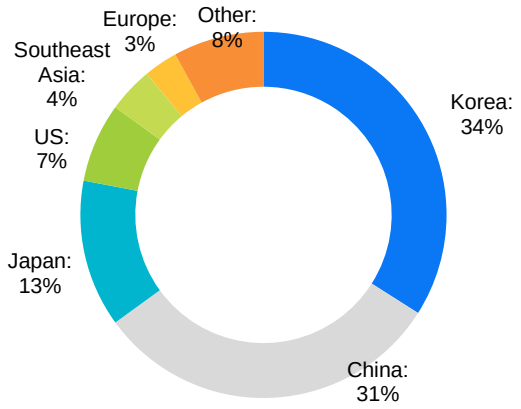
Source: Company data, Samsung Securities

Chart 3. Bubble subscribers: Trends and forecasts



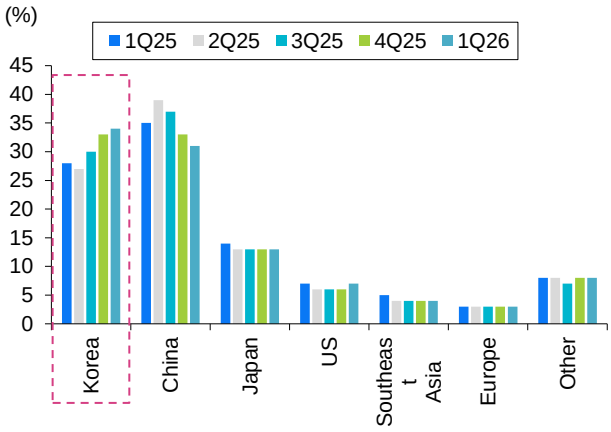
Note: Based on quarterly average subscribers;
Based on domestic Bubble services (excluding Bubble for Japan, The Bubble in the US, and QQ Music Bubble in China)
Source: Company data, Samsung Securities

Chart 4. User breakdown, by region (2025)



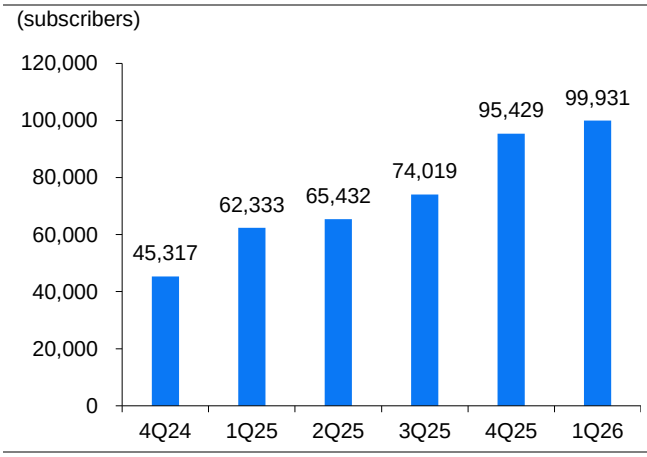
Note: Based on 1Q26;
Source: Company data, Samsung Securities

Chart 5. User breakdown, by region and quarter



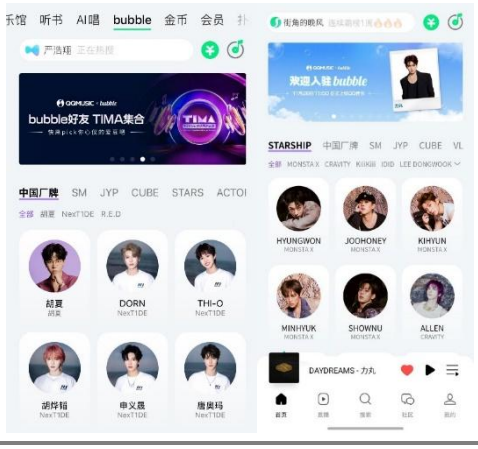
Source: Company data, Samsung Securities

Chart 6. Bubble for Japan: Subscribers



Note: Service launched in Jun 2024
Source: Company data, Samsung Securities

Chart 7. QQ Music Bubble (China)



Note: Service launched on Jun 30, 2025; Chinese artists joined on Aug 19
Source: Company data, Samsung Securities

Table 2. QQ Music Bubble's Chinese local artists

Date joined	Artist	Category	People
Aug 19	Hu Xia (胡夏)	Male solo	1
	NexT1DE	Boy group	7
	R.E.D	Girl group	7
Nov 3	门尼MONEY	Male solo	1
Nov 11	Galaxy Express	Coed band	5
Nov 20	Yamy (郭颖)	Female solo	1
Nov 22	Jianchao Deng	Male solo	1
Nov 23	Reno Wang	Male solo	1
Dec 2	Ya Sen	Male solo	1
Dec 3	Rikimaru	Male solo	1
Dec 25	Yuan Yiqi	Female solo	1
Dec 26	Chen Tian Run	Male Solo	1
Jan 16, 2026	Yu Haoming	Male solo	1
Jan 21	Lu Keran	Female solo	1
Jan 29	Nineone	Female solo	1
Feb 14	Wang Yun Chen (王允宸)	Female solo	1
	Wang Jing Xuan (王敬轩)	Male Solo	1
Mar 15	TSH48	Girl group	18
Mar 21	Su Ruiqi (苏芮琪)	Female solo	1
Apr 3	Yao Xiao Tang (姚晓棠)	Female solo	1
Apr 30	TSH48	Girl group	8

Note: Local Chinese artists joined on Aug 19;
As of 1Q26, 98 Chinese artists joined QQ Music Bubble (include 39 based in Hong Kong);
Yu Ni (Virtual IP), Capaybara piggy (Character IP) joined QQ Music Bubble
Source: Company data, Samsung Securities

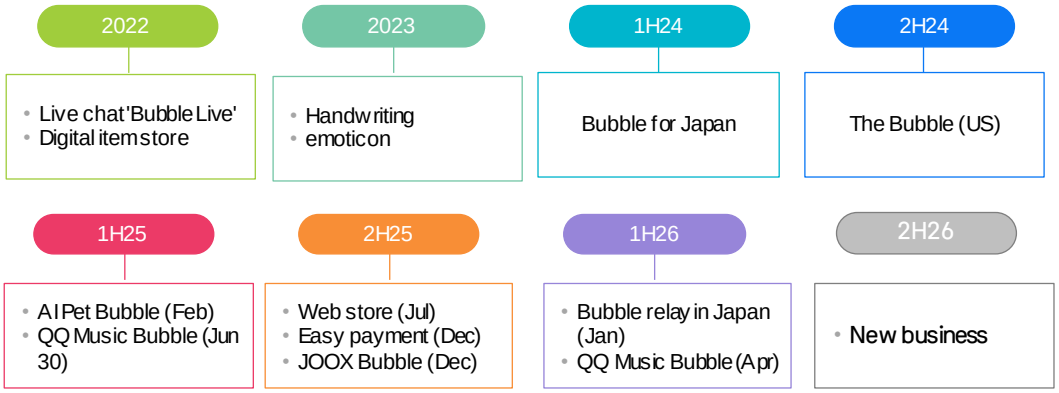
Chart 8. Tencent Music: Bubble service launches on JOOX

Note: JOOX is a music streaming platform operated by Tencent Music Entertainment, operating in Southeast Asian regions such as Hong Kong, Thailand, Malaysia, and Indonesia;
Bubble service launched on JOOX on Dec 29, 2025;
As of end-1Q26, 53 K-pop artists and 39 Hong Kkong artists had joined JOOX
Source: FactSet, company data, Samsung Securities

Chart 9. QQ Music Bubble- 'Bubble' launched (Apr 2026)

Note: Available on QQ Music application
Source: Company data, Samsung

Chart 10. Service expansion plans



Source: Company data, Samsung Securities

Table 3. Bubble: Subscription fee increases for users paying through Google Play/App Store

	Before		After	
	KRW	USD	KRW	USD
1 person	4,500	3.99	5000	4.49
2 people	8,000	6.99	9,800	8.49
3 people	11,500	9.99	14,500	12.49
4 people	15,000	12.99	19,300	16.99
5 people	18,500	15.99	24,000	21.49
6 people	22,000	18.99	28,900	25.99
7 people	25,000	21.99	33,500	30.49
8 people	29,000	25.99	38,500	34.99
9 people	33,000	28.99	43,000	38.99

Note: Fees increased on Jul 7, 2025
Source: Company data, Samsung Securities

Chart 11. Added easy-payment method to webstore

Source: Company data, Samsung Securities

Chart 12. Bubble for YH Launched (Mar 31, 2026)

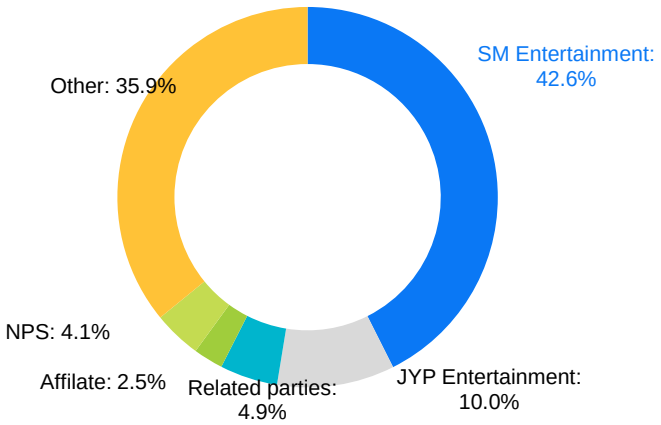
Source: Company data, Samsung Securities

Table 4. Addition of new business objectives (Mar 2026)

#	Details
1	Manufacturing and distribution of cosmetics (including responsible sales of cosmetics)
2	Specialized wholesales of food products
3	Commission-based retail and related services
4	Manufacturing, consignment processing, and wholesale/retail of general goods, accessories, and daily necessities
5	Manufacturing and sale of clothing and miscellaneous goods
6	Production and domestic distribution of celebrity merchandise
7	General wholesale, import, and export of goods
8	Manufacturing and wholesale/retail of toys, hobbies, and entertainment products
9	Manufacturing and wholesale/retail of daily necessities
10	Manufacturing of dolls, toys, and entertainment products
11	Professional design services
12	Product design services
13	Character development and commercialization
14	Exhibition planning and management
15	Cultural content development
16	Cultural content planning and production
17	Export and wholesale/retail of cultural content products

Note: Business objective amendment approved at the 2025 AGM (Mar 24, 2026)
Source: Company data, Samsung Securities

Chart 13. Dear U: Shareholders



Note: NPS's stake is as of Jan 2, 2026, while others are as of Jan 2;
After SM Entertainment absorbed SM Studios, Dear U's largest shareholder became SM Entertainment (Oct 17, 2025)
Source: Company data, Samsung Securities

Table 5. Revisions to 2026 and 2027 forecasts

(KRWb)	2026E			2027E		
	Old	New	Chg (%)	Old	New	Chg %
Sales	**96.6**	**96.5**	**-0.1**	**105.5**	**105.0**	**-0.5**
Operating profit	46.0	42.7	-7.2	55.2	50.5	-8.6
Operating margin (%, %pts)	47.6	44.3	-3.4	52.4	48.1	-4.3
Pre-tax profit	52.5	54.8	4.2	61.8	63.1	2.1
Net profit (controlling)	41.8	43.0	2.8	49.1	49.4	0.8

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**75**	**84**	**96**	**105**	**118**
Cost of goods sold	0	0	0	0	0
Gross profit	**75**	**84**	**96**	**105**	**118**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	49	52	54	54	59
Operating profit	**25**	**31**	**43**	**51**	**59**
Operating margin (%)	33.9	37.4	44.3	48.1	50.0
Non-operating gains (losses)	**6**	**-7**	**12**	**13**	**13**
Financial profit	13	9	14	13	14
Financial costs	2	4	2	2	2
Equity-method gains (losses)	-0	0	0	1	1
Other	-4	-12	-1	0	0
Pre-tax profit	**31**	**24**	**55**	**63**	**72**
Taxes	7	6	12	14	16
Effective tax rate (%)	21.7	23.4	21.4	21.6	21.6
Profit from continuing operations	24	19	43	49	56
Profit from discontinued operations	0	0	0	0	0
Net profit	**24**	**19**	**43**	**49**	**56**
Net margin (%)	32.6	22.2	44.6	47.1	48.0
Net profit (controlling interests)	24	19	43	49	56
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	28	34	45	52	60
EBITDA margin (%)	37.3	40.8	46.4	49.7	51.4
EPS (parent-based) (KRW)	1,027	785	1,812	2,083	2,377
EPS (consolidated) (KRW)	1,027	785	1,812	2,083	2,377
Adjusted EPS (KRW)*	1,027	785	1,812	2,083	2,377

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**169**	**197**	**233**	**275**	**321**
Cash & equivalents	84	128	142	178	210
Accounts receivable	6	9	10	12	14
Inventories	0	0	0	0	0
Other current assets	79	60	82	84	97
Fixed assets	**51**	**46**	**49**	**51**	**53**
Investment assets	10	14	14	15	16
Tangible assets	3	3	2	2	2
Intangible assets	12	9	8	8	8
Other long-term assets	26	21	24	25	26
Total assets	**220**	**243**	**282**	**325**	**373**
Current liabilities	**21**	**28**	**29**	**33**	**35**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	21	28	29	33	35
Long-term liabilities	**4**	**5**	**5**	**5**	**5**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	4	5	5	5	5
Total liabilities	**24**	**33**	**34**	**38**	**40**
Owners of parent equity	**196**	**210**	**248**	**288**	**333**
Capital stock	12	12	12	12	12
Capital surplus	162	162	162	162	162
Retained earnings	10	23	59	99	144
Other	12	13	15	15	15
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**196**	**210**	**248**	**288**	**333**
Net debt	-142	-166	-195	-231	-272

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**24**	**35**	**38**	**49**	**56**
Net profit	24	19	43	49	56
Non-cash profit and expenses	8	17	8	8	9
Depreciation	1	1	1	0	0
Amortization	1	1	1	1	1
Other	6	14	6	7	7
Changes in A/L from operating activities	-14	-0	-7	-2	-2
Cash flow from investments	**3**	**15**	**-19**	**-3**	**-12**
Change in tangible assets	-0	-1	0	0	0
Change in financial assets	8	17	-16	-0	-10
Other	-5	-1	-4	-3	-2
Cash flow from financing	**-1**	**-6**	**-7**	**-9**	**-11**
Change in debt	-0	1	0	0	0
Change in equity	0	0	0	0	0
Dividends	0	-5	-8	-9	-11
Other	-0	-2	0	0	0
Change in cash	27	44	14	37	32
Cash at beginning of year	57	84	128	142	178
Cash at end of year	84	128	142	178	210
Gross cash flow	**32**	**35**	**51**	**58**	**65**
Free cash flow	**23**	**35**	**38**	**49**	**56**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-1.1	12.0	15.1	8.8	12.0
Operating profit	-11.2	23.5	36.0	18.3	16.5
Net profit	-6.9	-23.6	130.9	14.9	14.1
Adjusted EPS**	-7.0	-23.6	130.9	14.9	14.1
Per-share data (KRW)					
EPS (parent-based)	1,027	785	1,812	2,083	2,377
EPS (consolidated)	1,027	785	1,812	2,083	2,377
Adjusted EPS**	1,027	785	1,812	2,083	2,377
BVPS	8,258	8,842	10,438	12,121	14,028
DPS (common)	215	316	400	470	520
Valuations (x)					
P/E***	35.1	51.1	14.8	12.9	11.3
P/B***	4.4	4.5	2.6	2.2	1.9
EV/EBITDA	25.6	23.0	9.9	7.8	6.1
Ratios (%)					
ROE	13.3	9.2	18.8	18.5	18.2
ROA	11.9	8.0	16.4	16.3	16.2
ROIC	48.4	65.8	99.1	100.2	109.0
Payout ratio	20.9	40.3	22.1	22.6	21.9
Dividend yield (common)	0.6	0.8	1.5	1.7	1.9
Net debt to equity	-72.3	-79.0	-78.6	-80.3	-81.8
Interest coverage (x)	132.8	156.1	192.4	222.1	252.7

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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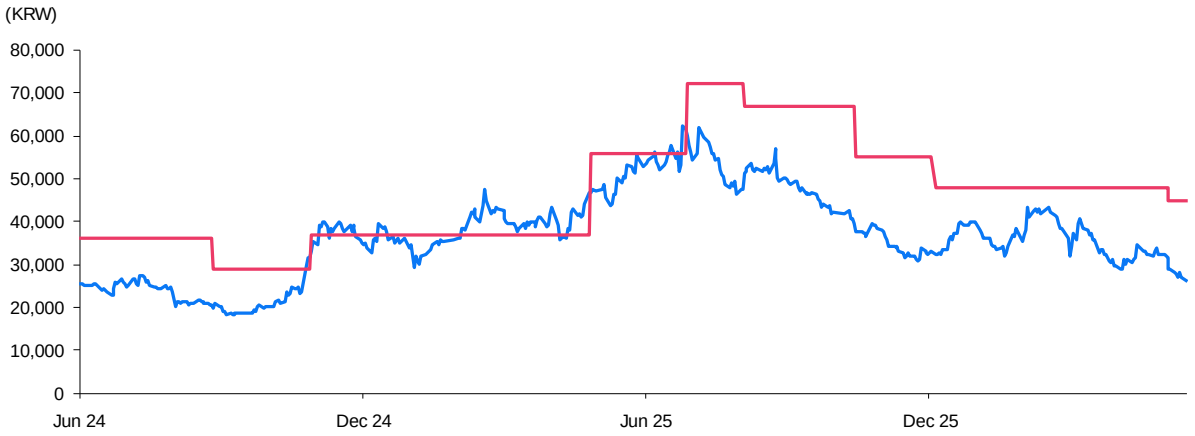
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/19	5/24	8/29	10/31	2025/4/29	7/1	8/6	10/17	12/8	2026/5/7
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	41000	36000	29000	37000	56000	72000	67000	55000	48000	45000
Gap* (average)	-27.60	-33.03	-25.75	3.38	-6.82	-25.43	-28.25	-36.80	-25.71	
(max or min)**	-7.32	-23.47	8.79	28.92	11.07	-14.03	-14.63	-28.09	-9.69	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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