COMPANY UPDATE

2026. 7. 22

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Dear U (376300)

Growth trajectory intact

- We believe Dear U will report a 2Q consolidated operating profit of KRW10.3b, in line with consensus.
- While subscriber growth at QQ Music Bubble remains slower than anticipated, popular Chinese performers have been steadily joining the service. Yet, the sluggish pace of subscriber growth has driven us to lower our earnings estimates and target multiple. We cut our target to KRW33,000.

AT A GLANCE

BUY

Target price	KRW33,000	72.8%
Current price	**KRW19,100**	
Market cap	KRW453.4b/USD307.72m	
Shares (float)	23,738,406 (0.0%)	
52-week high/low	KRW57,200/KRW19,100	
Avg daily trading value (60-day)	KRW2.4b/ USD1.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Dear U (%)	-14.5	-40.2	-65.1
Vs Kosdaq (%pts)	9.6	-24.5	-61.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	33,000	45,000	-26.7%
2026E EPS	1,657	1,812	-8.6%
2027E EPS	1,877	2,083	-9.9%

SAMSUNG vs THE STREET

No of estimates	13
Target price	45,538
Recommendation	4.0

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

WHAT'S THE STORY?

2Q preview: We now estimate Dear U's 2Q consolidated sales at KRW23.5b (up 16.3% y-y; just missing consensus) and operating profit at KRW10.3b (up 39% y-y; meeting consensus on profitability improvements). The average number of Bubble subscribers likely fell 30,000 q-q to 1.98m, a negative that was likely offset by favorable forex rates. The quarterly results likely reflect the impact of some artists leaving the platform and And2ble (a five-member boy group with a strong fandom) joining the platform in late May. Meanwhile, its operating margin likely climbed 2.7% q-q to 44.1% thanks to: 1) new artists signing up to the platform; and 2) more subscribers migrating to the webstore payment option (webstore and KakaoTalk Gifting; whose payment gateway fees are far lower than those on app markets; its subscriber webstore payment portion likely rose to around 18%).

Growth trajectory intact: Subscriber growth at the QQ Music-Bubble service has yet to accelerate meaningfully, but popular Chinese performers have been steadily signing up to the service. We believe the addition of high-profile acts could drive meaningful subscriber gains. Meanwhile, Dear U is likely to start its IP-based commerce business with physical merchandising in the US, diversifying its revenue stream and adding a new growth driver.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	84	95	102	114
Operating profit (KRWb)	31	41	46	52
Net profit (adj) (KRWb)	19	39	45	50
EPS (adj) (KRW)	785	1,657	1,877	2,098
EPS (adj) growth (% y-y)	-23.6	111.2	13.3	11.8
EBITDA margin (%)	40.8	45.7	46.9	47.2
ROE (%)	9.2	17.3	17.0	16.7
P/E (adj) (x)	51.1	11.5	10.2	9.1
P/B (x)	4.5	1.9	1.6	1.4
EV/EBITDA (x)	23.0	6.0	4.8	3.6
Dividend yield (%)	0.8	2.1	2.5	2.7

Source: Company data, Samsung Securities estimates

Still, we cut our target price to KRW33,000 (based on 20x 2026 P/E), as we reduce our: 1) 2026 net profit forecast by 9% to reflect slower-than-expected improvements (*eg*, at the China operation); and 2) target P/E from 24x to 20x (the average of its global peers).

Table 1. Quarterly forecasts and consensus

(KRWb)	2Q25	1Q26	2Q26E	Chg (% q-q)	Chg (% y-y)	Consensus	Diff (%)
Sales	20.2	23.4	23.5	0.3	16.3	24.1	-2.7
Operating profit	7.4	9.7	10.3	6.7	39.0	10.4	-0.1
Operating margin (%)	36.9	41.4	44.1	2.7	7.2	42.9	1.1
Pre-tax profit	-6.7	15.5	10.5	-31.8	nm	12.6	-16.1
Net profit (controlling)	-6.6	11.8	8.3	-29.6	nm	9.8	-15.5

Source: Company data, FnGuide, Samsung Securities

Table 2. 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	**23.5**	**23.7**	**24.5**	74.9	83.8	**95.1**	**101.9**
Bubble	20.2	19.0	17.7	17.6	17.4	19.8	22.0	23.1	22.8	22.8	22.9	23.3	74.5	82.3	91.9	95.5
Other	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.7	0.6	0.7	0.8	1.2	0.4	1.5	3.2	6.4
Bubble China (TME)	-	-	-	-	-	-	-	0.4	0.4	0.6	0.7	0.8	-	0.4	2.5	4.3
Operating expenses	13.1	12.0	11.4	12.9	12.1	12.7	13.6	14.0	13.7	13.1	13.2	13.7	49.5	52.4	53.7	55.7
Operating profit	7.2	7.1	6.3	4.9	5.5	7.4	8.7	9.8	9.7	10.3	10.5	10.8	25.4	31.4	41.4	46.2
Operating margin (%)	35.3	37.0	35.8	27.4	31.2	36.9	39.1	41.0	41.4	44.1	44.4	44.1	33.9	37.4	43.5	45.3
Non-operating gains (losses)	4.3	1.5	-2.3	2.2	1.3	-14.1	2.7	3.0	5.8	0.2	2.1	0.9	5.7	-7.1	9.0	11.0
Pre-tax profit	11.5	8.6	4.1	7.1	6.8	-6.7	11.5	12.8	15.5	10.5	12.7	11.7	31.1	24.3	50.4	57.2
Net profit (controlling)	8.9	6.9	3.1	5.5	5.2	-6.6	9.7	10.3	11.8	8.3	10.0	9.3	24.4	18.6	39.3	44.6
Chg (% y-y)																
Operating revenues	24.0	-0.1	-8.5	-14.8	-13.5	5.8	25.8	33.9	33.4	16.3	6.2	3.0	-1.1	12.0	13.4	7.2
Bubble	25.9	1.2	-7.5	-15.0	-14.1	4.3	24.9	31.1	31.6	15.1	4.0	1.0	-0.2	10.5	11.6	3.9
Bubble China (TME)	-78.4	-80.2	-72.5	17.7	176.3	461.6	202.8	333.8	211.4	86.9	194.3	66.6	-64.6	297.9	110.7	102.5
Other	-	-	-	-	-	-	-	-	-	-	-	118.1	-	-	558.9	72.0
Operating expenses	23.7	-2.6	-5.7	7.4	-8.1	6.0	19.3	8.9	13.6	3.0	-3.1	-2.4	5.1	6.1	2.4	3.8
Operating profit	24.6	4.5	-13.1	-44.9	-23.4	5.5	37.4	100.4	76.9	39.0	20.8	10.7	-11.2	23.5	31.8	11.6
Operating margin (%pts)	0.2	1.6	-1.9	-15.0	-4.0	-0.1	3.3	13.6	10.2	7.2	5.4	3.1	-3.9	3.5	6.1	1.8
Non-operating gains (losses)	34.0	48.4	nm	nm	-70.1	nm	nm	37.2	347.1	nm	-22.0	-69.7	42.4	-223.4	-227.6	22.2
Pre-tax profit	28.0	10.3	-55.4	3.5	-40.9	nm	182.2	80.8	128.4	nm	10.6	-8.2	-4.6	-21.9	107.3	13.5
Net profit (controlling)	-0.1	44.5	-52.5	-8.4	-41.7	nm	215.2	87.8	125.6	nm	2.5	-9.3	-6.9	-23.6	111.2	13.3

Note: Dear U International became a consolidated subsidiary in 2Q24, thus is recognized on a consolidated basis from 2024;

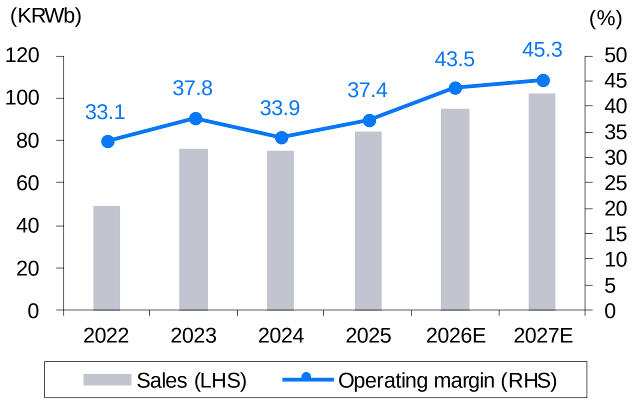
Non-operating expenses in 2Q25 including amortization of the minimum guarantee amount paid upfront to artists at the start of the contract—KRW7.1b by the US subsidiary and KRW4.8b by the parent;

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

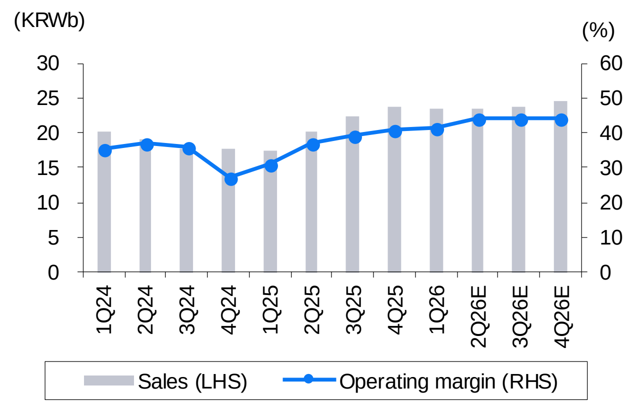
Source: Company data, Samsung Securities

Chart 1. Annual sales and operating margin



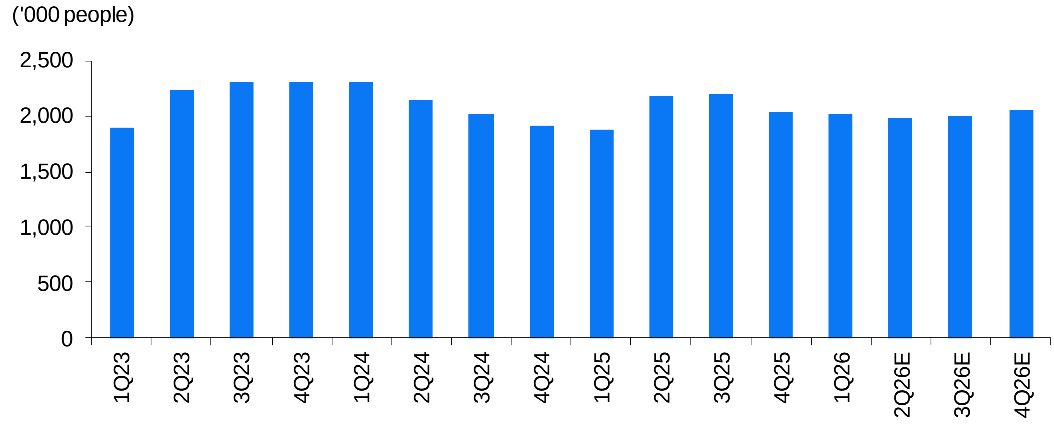
Source: Company data, Samsung Securities

Chart 2. Quarterly sales and operating margin



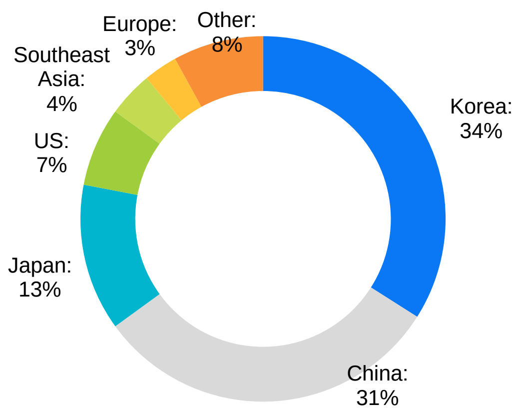
Source: Company data, Samsung Securities

Chart 3. Bubble subscribers: Trends and forecasts



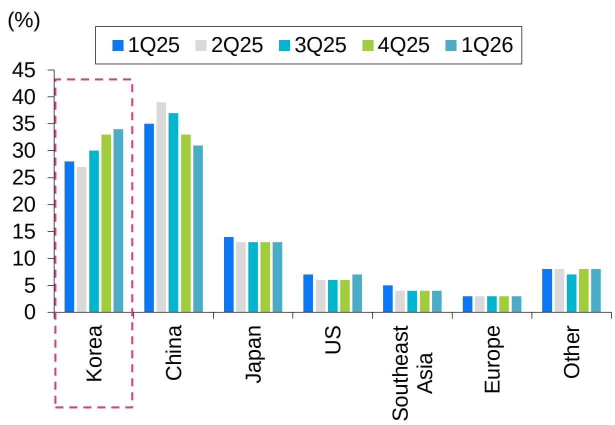
Note: Based on quarterly average subscribers;
Based on domestic Bubble services (excluding Bubble for Japan, The Bubble in the US, and QQ Music Bubble in China)
Source: Company data, Samsung Securities

Chart 4. User breakdown, by region (2025)



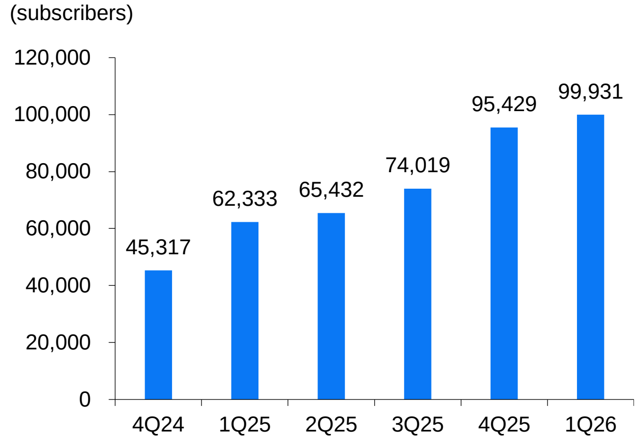
Note: Based on 1Q26;
Source: Company data, Samsung Securities

Chart 5. User breakdown, by region and quarter



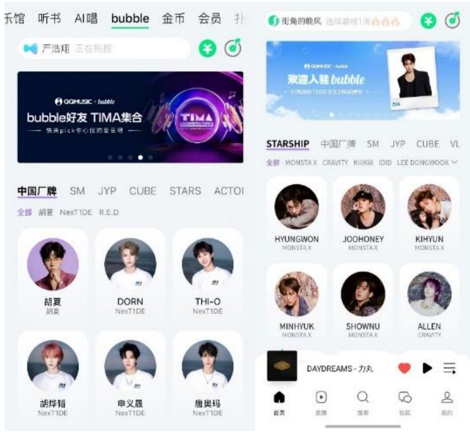
Source: Company data, Samsung Securities

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

Chart 8. Tencent Music: Bubble service launched 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-2Q26, 53 K-pop artists and 39 Hong Kong artists had joined JOOX
Source: FactSet, company data, Samsung Securities

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

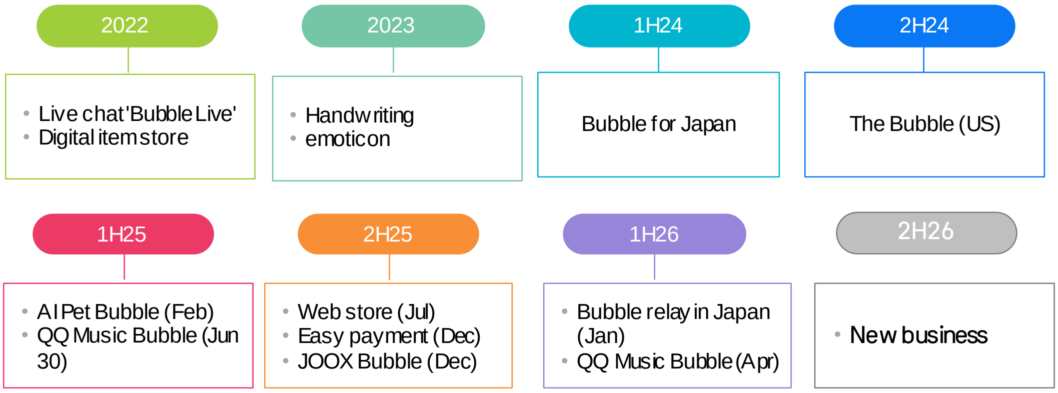
Note: Available on QQ Music application
Source: Company data, Samsung

Table 3. 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
May 7	D.M.G.,	Lable group	18
May 24	Chen Tian Run	Male solo	1
May 28	Zao An (早安)	Male solo	1
May 30	Xu Jia Qi	Female solo	1
Jun 3	Jin Ri (今日)	Male solo	1
Jun 9	Qin Hao / Jeff (秦昊/ Jeff)	Male solo	1
Jul 5	Jia Yi	Male solo	1
Jul 6	Shao Zi Heng (POLARIX-邵子恒)	Male solo	1
Jul 10	Huang Hao Wen	Male solo	1

Note: Local Chinese artists joined on Aug 19;
As of 2Q26, 129 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 10. Service expansion plans



Source: Company data, Samsung Securities

Table 4. 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)

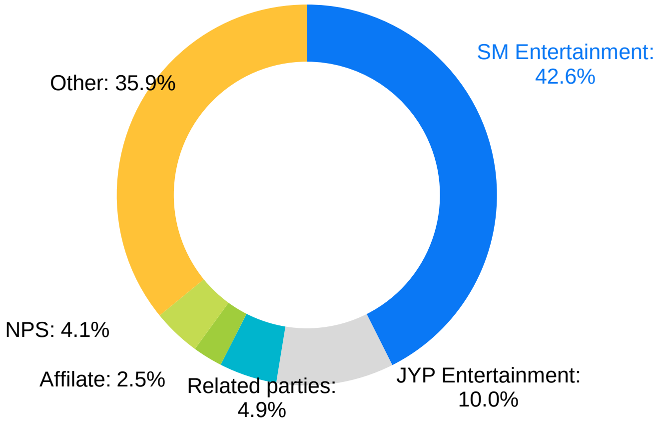
Source: Company data, Samsung Securities

Table 5. 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 6. 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**	**95**	**102**	**114**
Cost of goods sold	0	0	0	0	0
Gross profit	**75**	**84**	**95**	**102**	**114**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	49	52	54	56	62
Operating profit	**25**	**31**	**41**	**46**	**52**
Operating margin (%)	33.9	37.4	43.5	45.3	45.8
Non-operating gains (losses)	**6**	**-7**	**9**	**11**	**12**
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	-3	-1	-1
Pre-tax profit	**31**	**24**	**50**	**57**	**64**
Taxes	7	6	11	13	14
Effective tax rate (%)	21.7	23.4	21.9	22.1	22.1
Profit from continuing operations	24	19	39	45	50
Profit from discontinued operations	0	0	0	0	0
Net profit	**24**	**19**	**39**	**45**	**50**
Net margin (%)	32.6	22.2	41.4	43.7	43.6
Net profit (controlling interests)	24	19	39	45	50
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	28	34	43	48	54
EBITDA margin (%)	37.3	40.8	45.7	46.9	47.2
EPS (parent-based) (KRW)	1,027	785	1,657	1,877	2,098
EPS (consolidated) (KRW)	1,027	785	1,657	1,877	2,098
Adjusted EPS (KRW)*	1,027	785	1,657	1,877	2,098

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**169**	**197**	**229**	**265**	**304**
Cash & equivalents	84	128	139	172	197
Accounts receivable	6	9	9	12	13
Inventories	0	0	0	0	0
Other current assets	79	60	81	82	94
Fixed assets	**51**	**46**	**49**	**51**	**52**
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**	**278**	**316**	**357**
Current liabilities	**21**	**28**	**29**	**32**	**34**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	21	28	29	32	34
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**	**37**	**39**
Owners of parent equity	**196**	**210**	**244**	**279**	**318**
Capital stock	12	12	12	12	12
Capital surplus	162	162	162	162	162
Retained earnings	10	23	55	90	129
Other	12	13	15	15	15
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**196**	**210**	**244**	**279**	**318**
Net debt	-142	-166	-191	-223	-258

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**24**	**35**	**35**	**45**	**49**
Net profit	24	19	39	45	50
Non-cash profit and expenses	8	17	7	8	8
Depreciation	1	1	1	0	0
Amortization	1	1	1	1	1
Other	6	14	5	6	6
Changes in A/L from operating activities	-14	-0	-7	-2	-2
Cash flow from investments	**3**	**15**	**-19**	**-2**	**-12**
Change in tangible assets	-0	-1	0	0	0
Change in financial assets	8	17	-15	1	-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	11	33	26
Cash at beginning of year	57	84	128	139	172
Cash at end of year	84	128	139	172	197
Gross cash flow	**32**	**35**	**47**	**52**	**58**
Free cash flow	**23**	**35**	**35**	**45**	**49**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-1.1	12.0	13.4	7.2	12.0
Operating profit	-11.2	23.5	31.8	11.6	13.3
Net profit	-6.9	-23.6	111.2	13.3	11.8
Adjusted EPS**	-7.0	-23.6	111.2	13.3	11.8
Per-share data (KRW)					
EPS (parent-based)	1,027	785	1,657	1,877	2,098
EPS (consolidated)	1,027	785	1,657	1,877	2,098
Adjusted EPS**	1,027	785	1,657	1,877	2,098
BVPS	8,258	8,842	10,284	11,761	13,389
DPS (common)	215	316	400	470	520
Valuations (x)					
P/E***	35.1	51.1	11.5	10.2	9.1
P/B***	4.4	4.5	1.9	1.6	1.4
EV/EBITDA	25.6	23.0	6.0	4.8	3.6
Ratios (%)					
ROE	13.3	9.2	17.3	17.0	16.7
ROA	11.9	8.0	15.1	15.0	14.8
ROIC	48.4	65.8	95.5	91.5	96.8
Payout ratio	20.9	40.3	24.1	25.0	24.8
Dividend yield (common)	0.6	0.8	2.1	2.5	2.7
Net debt to equity	-72.3	-79.0	-78.3	-79.8	-81.0
Interest coverage (x)	132.8	156.1	186.7	204.1	226.2

Compliance notice

- As of 7/21 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
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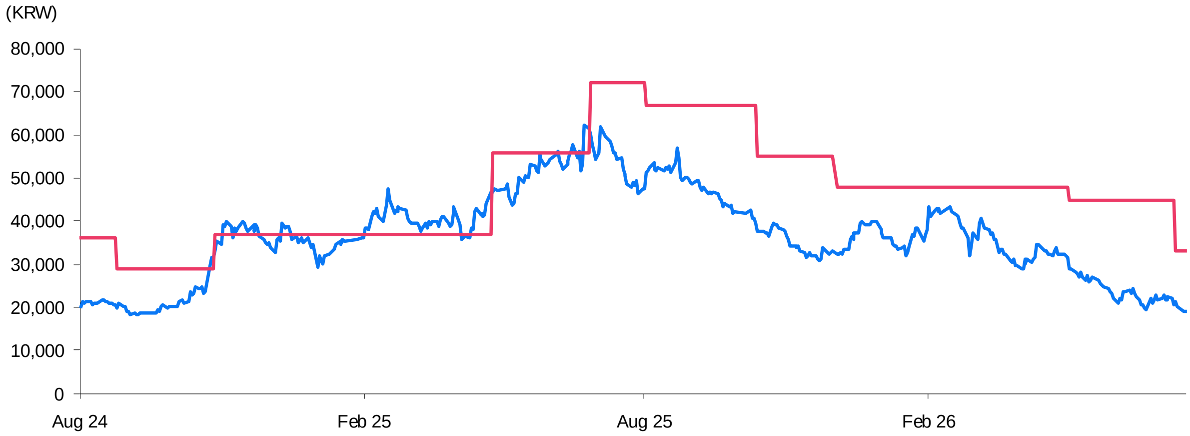
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/24	8/29	10/31	2025/4/29	7/1	8/6	10/17	12/8	2026/5/7	7/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	36000	29000	37000	56000	72000	67000	55000	48000	45000	33000
Gap* (average)	-33.03	-25.75	3.38	-6.82	-25.43	-28.25	-36.80	-25.71	-47.38	
(max or min)**	-23.47	8.79	28.92	11.07	-14.03	-14.63	-28.09	-9.69	-35.56	

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

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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 2026.06.30

BUY (85.5%)·HOLD (14.5%)·SELL (0%)

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