

COMPANY UPDATE

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Tech Team

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▶ AT A GLANCE

BUY		
Target price	KRW30,000	52.6%
Current price	KRW19,660	
Market cap	KRW466.7b/USD329.57m	
Shares (float)	23,738,406 (54.1%)	
52-week high/low	KRW57,200/KRW18,900	
Avg daily trading value (60-day)	KRW2.1b/USD1.5m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Dear U (%)	-14.5	-52.1	-62.0
Vs Kosdaq (%pts)	-11.1	-35.2	-61.6

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	30,000	33,000	-9.1%
2026E EPS	1,419	1,657	-14.4%
2027E EPS	1,721	1,877	-8.3%

▶ SAMSUNG vs THE STREET

No of estimates	11
Target price	34,727
Recommendation	4.0
※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL	



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Dear U (376300)

Overseas markets serving as growth engines

- Dear U's 2Q results missed expectations, as the US business initiative began incurring offline store right-of-use asset amortization expenses.
- QQ Music-Bubble continues its upward trajectory, fueled by the onboarding of C-pop artists, while Dear U's US business—anchored in offline retail—is on track to launch before the end of the year.
- To account for the initial costs associated with the new US business, we revised our profitability forecasts downward and cut our target price to KRW30,000.

WHAT'S THE STORY?

2Q results miss consensus: Dear U reported 2Q consolidated sales of KRW23.4b (up 15.7% y-y) and an operating profit of KRW9.4b (up 26.4% y-y), missing consensus. As the US business initiative advanced with the formal launch of offline store preparations, the associated 'right-of-use asset amortization expenses' were recognized beginning in 2Q, resulting in an operating loss of KRW1.1b for the consolidated subsidiary, Dear U International (US entity). After several artists left for new agencies, the average number of subscribers in 2Q fell by 40,000 q-q to 1.97 million. However, favorable forex rates cushion the impact, helping preserve sales. Royalties related to TME JOOX, launched late last year, were not reflected in 1H and are scheduled to be recognized in 3Q. Pre-tax and net profit significantly undershot market expectations as the upfront payments for artist minimum guarantees were booked as non-operating expenses.

China business on upward trajectory, new US business in sight: QQ Music-Bubble, launched in collaboration with Tencent Music Entertainment Group, continues to gain subscribers as more C-pop artists join the platform.

(Continued on the next page)

SUMMARY 2Q26 RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	23.4	15.7	-0.2	-0.5	-2.1
Operating profit	9.4	26.4	-3.0	-9.1	-7.5
Pre-tax profit	6.7	nm	-56.5	-36.2	-43.1
Net profit	4.5	nm	-61.5	-45.3	-52.9
Margins (%)					
Operating profit	40.3				
Pre-tax profit	28.8				
Net profit	19.4				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	51.1	15.4	12.7
P/B	4.5	2.2	1.9
EV/EBITDA	23.0	8.2	6.8
Div yield (%)	0.8	1.8	2.2
EPS growth (% y-y)	-23.6	80.8	21.3
ROE (%)	9.2	15.0	16.1
Per-share data (KRW)			
EPS	785	1,419	1,721
BVPS	8,842	10,045	11,366
DPS	316	400	470

However, to accelerate growth, onboarding artists with strong local influence in target markets will be critical. The new US business, which will be built around offline stores, should become visible by year-end and is poised to establish itself as a new growth driver alongside diversification of revenue models. However, as the launch is expected in 4Q, only the costs from pre-launch investments will likely be recognized until then.

Performance of overseas businesses is key: With domestic subscriber growth constrained, expansion will increasingly be driven by performance in China, the US, and Japan. Reflecting lower parent-based top-line growth and initial investment costs in the new US business, we lower our 2026 net profit forecast by 14% and cut our target price by 9% to KRW30,000, based on a forward P/E of 20x (the average of its global peers; Bloomberg).

Table 1. Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	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	23.4	23.4	24.1	74.9	83.8	94.2	101.1
Bubble	20.2	19.0	17.7	17.6	17.4	19.8	22.0	23.1	22.8	22.7	22.6	22.9	74.5	82.3	91.1	93.7
Other	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.7	0.6	0.7	0.7	1.2	0.4	1.5	3.1	7.4
Bubble China (TME)	-	-	-	-	-	-	-	0.4	0.4	0.6	0.6	0.8	-	0.4	2.4	4.3
Operating expenses	13.1	12.0	11.4	12.9	12.1	12.7	13.6	14.0	13.7	13.9	14.0	14.2	49.5	52.4	55.8	57.9
Operating profit	7.2	7.1	6.3	4.9	5.5	7.4	8.7	9.8	9.7	9.4	9.3	9.9	25.4	31.4	38.4	43.2
Operating margin (%)	35.3	37.0	35.8	27.4	31.2	36.9	39.1	41.0	41.4	40.3	40.0	41.2	33.9	37.4	40.7	42.8
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	0.5	5.7	-7.1	5.8	10.5
Pre-tax profit	11.5	8.6	4.1	7.1	6.8	-6.7	11.5	12.8	15.5	6.7	11.5	10.5	31.1	24.3	44.2	53.8
Net profit (controlling)	8.9	6.9	3.1	5.5	5.2	-6.6	9.7	10.3	11.8	4.5	9.0	8.4	24.4	18.6	33.7	40.8
Chg (% y-y)																
Operating revenues	24.0	-0.1	-8.5	-14.8	-13.5	5.8	25.8	33.9	33.4	15.7	4.8	1.2	-1.1	12.0	12.4	7.3
Bubble	25.9	1.2	-7.5	-15.0	-14.1	4.3	24.9	31.1	31.6	14.4	2.7	-0.8	-0.2	10.5	10.6	2.9
Bubble China (TME)	-78.4	-80.2	-72.5	17.7	176.3	461.6	202.8	333.8	211.4	90.4	177.4	67.2	-64.6	297.9	108.3	135.9
Other	-	-	-	-	-	-	-	-	-	-	-	113.7	-	-	543.4	74.7
Operating expenses	23.7	-2.6	-5.7	7.4	-8.1	6.0	19.3	8.9	13.6	9.4	3.2	0.8	5.1	6.1	6.5	3.6
Operating profit	24.6	4.5	-13.1	-44.9	-23.4	5.5	37.4	100.4	76.9	26.4	7.2	1.8	-11.2	23.5	22.3	12.7
Operating margin (%pts)	0.2	1.6	-1.9	-15.0	-4.0	-0.1	3.3	13.6	10.2	3.4	0.9	0.2	-3.9	3.5	3.3	2.0
Non-operating gains (losses)	34.0	48.4	nm	nm	-70.1	nm	nm	37.2	347.1	nm	-22.0	-81.7	42.4	-223.4	-181.8	82.0
Pre-tax profit	28.0	10.3	-55.4	3.5	-40.9	nm	182.2	80.8	128.4	nm	0.2	-17.8	-4.6	-21.9	81.6	21.7
Net profit (controlling)	-0.1	44.5	-52.5	-8.4	-41.7	nm	215.2	87.8	125.6	nm	-7.1	-18.8	-6.9	-23.6	80.8	21.3

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

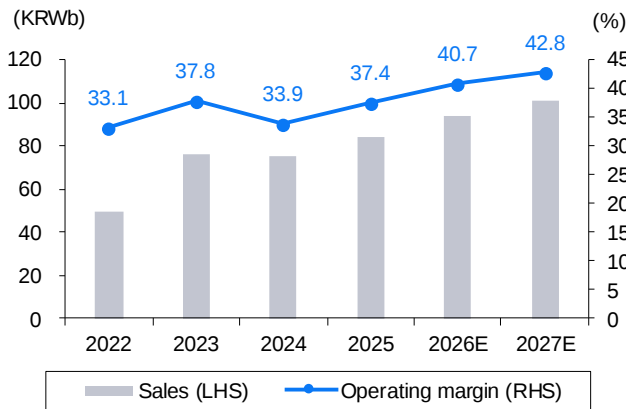
Non-operating expenses in 2Q25 including amortization of the minimum guarantee amount paid upfront to artists at the start of the contract—KRW7.1b by the US subsidiary and KRW4.8b by the parent;

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

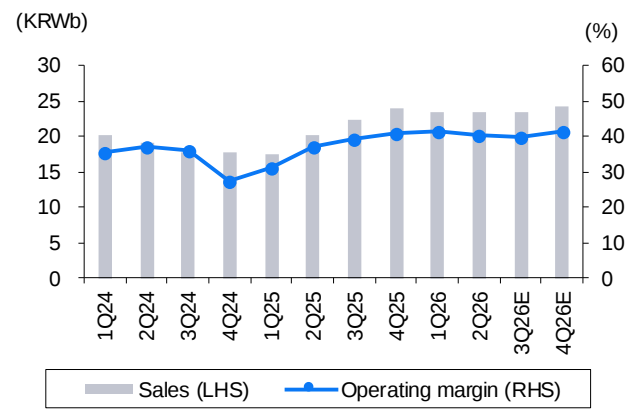
Source: Company data, Samsung Securities

Chart 1. Annual sales and operating margin



Source: Company data, Samsung Securities

Chart 2. Quarterly sales and operating margin



Source: Company data, Samsung Securities

Table 2. Quarterly operating profit trend (parent vs consolidated) and subsidiary earnings estimates

(KRWb)	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
① OP (parent)	7.1	6.6	5.3	5.8	7.8	9.1	10.0	10.1	10.5
② Consolidated Adj. & Subsidiary OP (=③-①)	0.0	-0.2	-0.5	-0.3	-0.4	-0.3	-0.3	-0.4	-1.1
③ Consolidated OP	7.1	6.3	4.9	5.5	7.4	8.7	9.8	9.7	9.4

Note: Dear U International (100% stake) is the only consolidated subsidiary as of August

Source: Company data, Samsung Securities

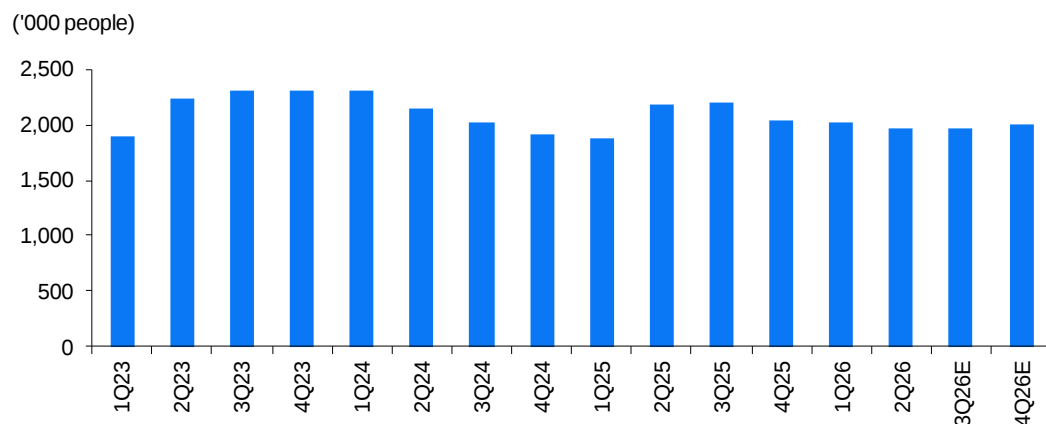
Table 3. Financial results of Dear U International (US subsidiary)

(KRWm)	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Sales	0.0	0.0	3.4	1.8	1.6	2.0	1.6	1.3
Net profit	-9.4	-247.0	-509.1	-412.3	-7,585.9	-324.6	-1,156.9	-443.2

Note: As only preliminary results for 2Q26 have been disclosed, sales and net profit of the consolidated subsidiary 'Dear U International (100% stake)' are not provided

Source: Company data, Samsung Securities

Chart 3. Bubble subscribers: Trends and forecasts

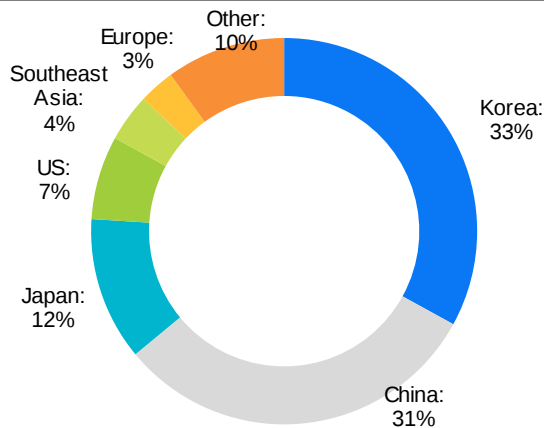


Note: Based on quarterly average subscribers;

Based on domestic Bubble services (excluding Bubble for Japan, The Bubble in the US, and QQ Music Bubble in China)

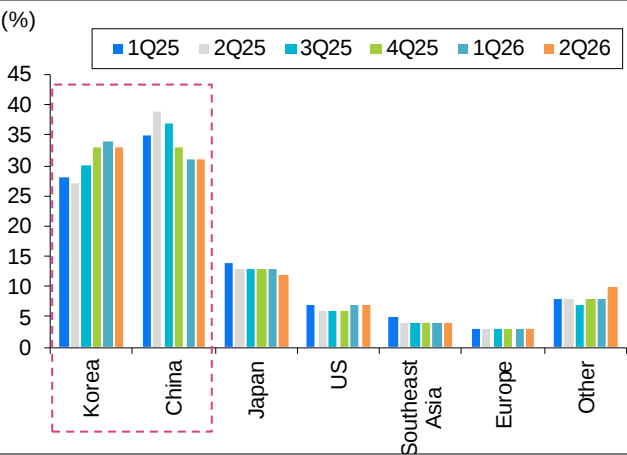
Source: Company data, Samsung Securities

Chart 4. User breakdown, by region



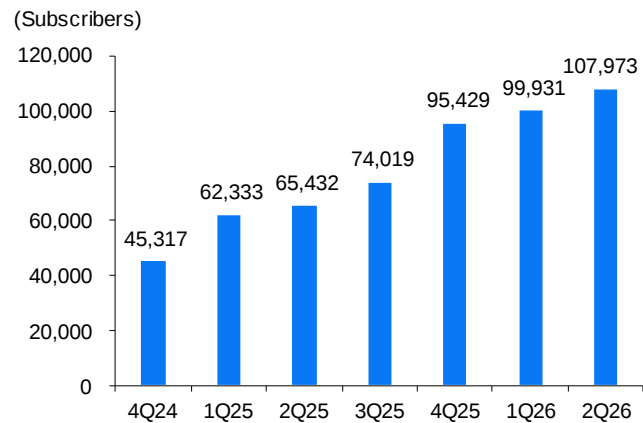
Note: Based on 2Q26;
Source: Company data, Samsung Securities

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 4. 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
Jul 30	WINWIN (董思成)	Male solo	1

Note: Local Chinese artists joined on Aug 19;

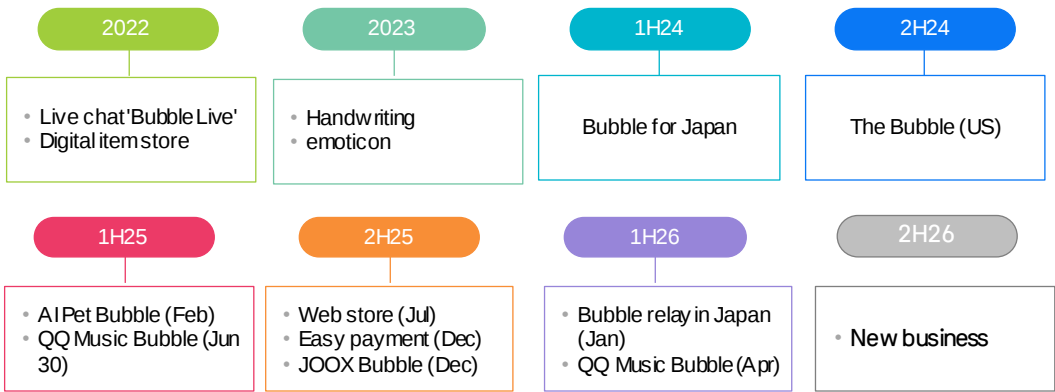
As of 2Q26, 129 Chinese artists joined QQ Music Bubble (include 39 based in Hong Kong);

Yu Ni (Virtual IP), Capaybara piggy (Character IP) joined QQ Music Bubble

WINWIN, a former NCT member and Chinese national, joined QQ Music Bubble on July 30 and has also joined STARS bubble in Korea

Source: Company data, Samsung Securities

Chart 10. Service expansion plans



Source: Company data, Samsung Securities

Table 5. Bubble: Subscription fee increases for users paying through Google Play/App Store

	Before		After	
	KRW	USD	KRW	USD
1 person	4,500	3.99	5,000	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

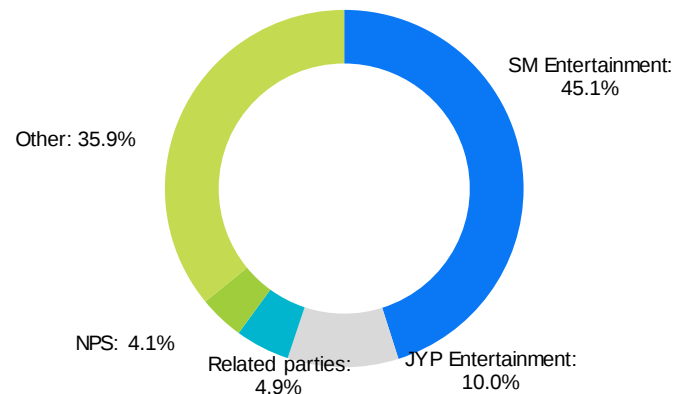
Table 6. Addition of new business objectives (Mar 2026)

#	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); SM Entertainment acquired a 1.52% stake (360k shares) in Everything Japan and a 1.01% stake (240k shares) in SMEJ Holdings (Aug 3, 2026)

Source: Company data, Samsung Securities

Table 7. Revisions to 2026 and 2027 forecasts

(KRWb)	2026E			2027E		
	Old	New	Chg (%)	Old	New	Chg %
Sales	95.1	94.2	-0.9	101.9	101.1	-0.8
Operating profit	41.4	38.4	-7.2	46.2	43.2	-6.4
Operating margin (% , %pts)	43.5	40.7	-2.8	45.3	42.8	-2.5
Pre-tax profit	50.4	44.2	-12.4	57.2	53.8	-6.0
Net profit (controlling)	39.3	33.7	-14.4	44.6	40.8	-8.3

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	75	84	94	101	116
Cost of goods sold	0	0	0	0	0
Gross profit	75	84	94	101	116
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	49	52	56	58	63
Operating profit	25	31	38	43	52
Operating margin (%)	33.9	37.4	40.7	42.8	45.3
Non-operating gains (losses)	6	-7	6	11	11
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	-6	-2	-2
Pre-tax profit	31	24	44	54	64
Taxes	7	6	10	13	15
Effective tax rate (%)	21.7	23.4	23.7	24.0	24.0
Profit from continuing operations	24	19	34	41	48
Profit from discontinued operations	0	0	0	0	0
Net profit	24	19	34	41	48
Net margin (%)	32.6	22.2	35.8	40.4	41.9
Net profit (controlling interests)	24	19	34	41	48
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	28	34	40	45	54
EBITDA margin (%)	37.3	40.8	42.9	44.4	46.7
EPS (parent-based) (KRW)	1,027	785	1,419	1,721	2,039
EPS (consolidated) (KRW)	1,027	785	1,419	1,721	2,039
Adjusted EPS (KRW)*	1,027	785	1,419	1,721	2,039

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	24	35	29	41	48
Net profit	24	19	34	41	48
Non-cash profit and expenses	8	17	7	8	9
Depreciation	1	1	1	0	0
Amortization	1	1	1	1	1
Other	6	14	5	6	8
Changes in A/L from operating activities	-14	-0	-6	-2	-2
Cash flow from investments	3	15	-18	-2	-14
Change in tangible assets	-0	-1	0	0	0
Change in financial assets	8	17	-14	1	-11
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	6	29	23
Cash at beginning of year	57	84	128	134	163
Cash at end of year	84	128	134	163	186
Gross cash flow	32	35	41	49	58
Free cash flow	23	35	29	41	48

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	169	197	223	256	294
Cash & equivalents	84	128	134	163	186
Accounts receivable	6	9	9	12	13
Inventories	0	0	0	0	0
Other current assets	79	60	80	81	95
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	272	306	347
Current liabilities	21	28	28	31	34
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	21	28	28	31	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	33	36	40
Owners of parent equity	196	210	238	270	307
Capital stock	12	12	12	12	12
Capital surplus	162	162	162	162	162
Retained earnings	10	23	49	81	118
Other	12	13	15	15	15
Non-controlling interests' equity	0	0	0	0	0
Total equity	196	210	238	270	307
Net debt	-142	-166	-186	-214	-247

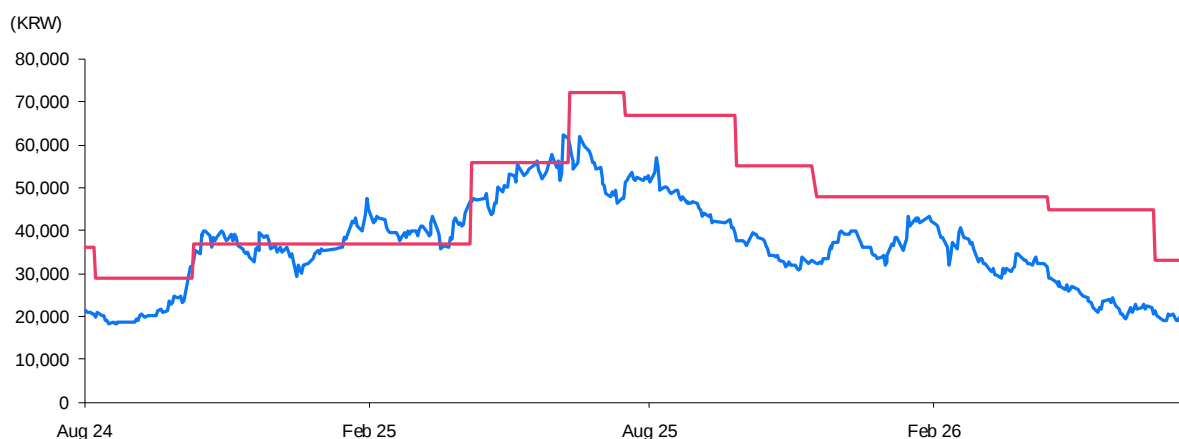
Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-1.1	12.0	12.4	7.3	14.4
Operating profit	-11.2	23.5	22.3	12.7	21.2
Net profit	-6.9	-23.6	80.8	21.3	18.5
Adjusted EPS**	-7.0	-23.6	80.8	21.3	18.5
Per-share data (KRW)					
EPS (parent-based)	1,027	785	1,419	1,721	2,039
EPS (consolidated)	1,027	785	1,419	1,721	2,039
Adjusted EPS**	1,027	785	1,419	1,721	2,039
BVPS	8,258	8,842	10,045	11,366	12,935
DPS (common)	215	316	400	470	520
Valuations (x)					
P/E***	35.1	51.1	13.9	11.4	9.6
P/B***	4.4	4.5	2.0	1.7	1.5
EV/EBITDA	25.6	23.0	7.0	5.6	4.1
Ratios (%)					
ROE	13.3	9.2	15.0	16.1	16.8
ROA	11.9	8.0	13.1	14.1	14.8
ROIC	48.4	65.8	86.6	83.6	94.6
Payout ratio	20.9	40.3	28.2	27.3	25.5
Dividend yield (common)	0.6	0.8	2.0	2.4	2.6
Net debt to equity	-72.3	-79.0	-77.8	-79.1	-80.3
Interest coverage (x)	132.8	156.1	173.4	191.4	226.5

Compliance notice

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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	8/5
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	36000	29000	37000	56000	72000	67000	55000	48000	45000	33000	30000
Gap* (average)	-33.03	-25.75	3.38	-6.82	-25.43	-28.25	-36.80	-25.71	-47.38	-39.86	
(max or min)**	-23.47	8.79	28.92	11.07	-14.03	-14.63	-28.09	-9.69	-35.56	-33.79	

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 2026.06.30

BUY(85.5%)-HOLD(14.5%)-SELL(0%)

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