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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended September 30, 2023**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from            to**  
**Commission File Number: 001-35669**

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**SHUTTERSTOCK, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of incorporation or organization)

**80-0812659**

(I.R.S. Employer Identification No.)

**350 Fifth Avenue, 20th Floor  
New York, NY 10118**

(Address of principal executive offices, including zip code)

(646) 710-3417

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	SSTK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of October 27, 2023, 35,712,607 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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**Shutterstock, Inc.**  
**FORM 10-Q**  
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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, particularly in the discussion under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” All statements other than statements of historical fact are forward-looking. Examples of forward-looking statements include, but are not limited to, statements regarding guidance, industry prospects, future business, future results of operations or financial condition, future dividends, future stock performance, our ability to consummate acquisitions and integrate the businesses we have acquired or may acquire into our existing operations, new or planned features, products or services, management strategies and our competitive position. You can identify many forward-looking statements by words such as “may,” “will,” “would,” “should,” “could,” “expects,” “aims,” “anticipates,” “believes,” “estimates,” “intends,” “plans,” “predicts,” “projects,” “seeks,” “potential,” “opportunities” and other similar expressions and the negatives of such expressions. However, not all forward-looking statements contain these words. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, risks related to the Giphy, Inc. transaction, such as potential litigation; potential business disruption; the impact of transaction costs; our ability to achieve the benefits of the transaction, including monetization; our ability to effectively integrate the acquired operations into our operations; our ability to retain and hire key target personnel; and the effects of any unknown liabilities; as well as those risks discussed under the caption “Risk Factors” in our most recently filed Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission (the “SEC”) on February 14, 2023 (our “2022 Form 10-K”) and in our consolidated financial statements, related notes, and the other information appearing elsewhere in the 2022 Form 10-K, this Quarterly Report on Form 10-Q and our other filings with the SEC. Given these risks and uncertainties, you should not place undue reliance on any forward-looking statements. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date hereof, and we do not intend, and, except as required by law, we undertake no obligation to update any forward-looking statements contained herein after the date of this report to reflect actual results or future events or circumstances.

Unless the context otherwise indicates, references in this Quarterly Report on Form 10-Q to the terms “Shutterstock,” “the Company,” “we,” “our” and “us” refer to Shutterstock, Inc. and its subsidiaries. “Shutterstock,” “Shutterstock Editorial,” “Asset Assurance,” “Offset,” “Bigstock,” “Rex Features,” “PremiumBeat,” “TurboSquid,” “PicMonkey,” “Pattern89,” “Shotzr,” “Pond5,” “Splash News,” “Giphy,” “Shutterstock Studios” and “Shutterstock Editor” and their logos are registered trademarks and are the property of Shutterstock, Inc. or one of our subsidiaries. All other trademarks, service marks and trade names appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements.**

**Shutterstock, Inc.**  
**Consolidated Balance Sheets**  
(In thousands, except par value amount)  
(unaudited)

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 75,228	\$ 115,154
Accounts receivable, net of allowance of \$6,022 and \$5,830	85,406	67,249
Prepaid expenses and other current assets	108,831	33,268
Total current assets	269,465	215,671
Property and equipment, net	61,929	54,548
Right-of-use assets	16,229	17,593
Intangible assets, net	193,785	173,087
Goodwill	382,166	381,920
Deferred tax assets, net	19,545	16,533
Other assets	72,801	21,832
Total assets	\$ 1,015,920	\$ 881,184
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 7,147	\$ 7,183
Accrued expenses	123,834	89,387
Contributor royalties payable	49,678	38,649
Deferred revenue	203,100	187,070
Debt	30,000	50,000
Other current liabilities	10,505	11,445
Total current liabilities	424,264	383,734
Deferred tax liability, net	4,372	4,465
Lease liabilities	31,451	35,611
Other non-current liabilities	23,870	9,892
Total liabilities	483,957	433,702
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, \$0.01 par value; 200,000 shares authorized; 39,956 and 39,605 shares issued and 35,749 and 35,829 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	399	396
Treasury stock, at cost; 4,207 and 3,776 shares as of September 30, 2023 and December 31, 2022, respectively	(219,012)	(200,008)
Additional paid-in capital	412,861	391,482
Accumulated comprehensive loss	(15,588)	(15,439)
Retained earnings	353,303	271,051
Total stockholders' equity	531,963	447,482
Total liabilities and stockholders' equity	\$ 1,015,920	\$ 881,184

*See Notes to Unaudited Consolidated Financial Statements.*

**Shutterstock, Inc.**  
**Consolidated Statements of Operations**  
(In thousands, except for per share data)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 233,248	\$ 204,096	\$ 657,368	\$ 610,100
Operating expenses:				
Cost of revenue	94,219	79,911	256,798	226,381
Sales and marketing	56,165	47,777	152,084	155,335
Product development	28,098	17,534	72,722	48,322
General and administrative	37,574	30,189	109,488	94,085
Total operating expenses	<u>216,056</u>	<u>175,411</u>	<u>591,092</u>	<u>524,123</u>
Income from operations	17,192	28,685	66,276	85,977
Bargain purchase gain	9,864	—	51,804	—
Other income / (expense), net	557	(1,546)	2,328	(3,449)
Income before income taxes	27,613	27,139	120,408	82,528
(Benefit) / Provision for income taxes	(806)	4,099	9,133	13,471
Net income	<u>\$ 28,419</u>	<u>\$ 23,040</u>	<u>\$ 111,275</u>	<u>\$ 69,057</u>
Earnings per share:				
Basic	<u>\$ 0.79</u>	<u>\$ 0.64</u>	<u>\$ 3.10</u>	<u>\$ 1.91</u>
Diluted	<u>\$ 0.79</u>	<u>\$ 0.64</u>	<u>\$ 3.06</u>	<u>\$ 1.88</u>
Weighted average common shares outstanding:				
Basic	<u>35,912</u>	<u>35,929</u>	<u>35,938</u>	<u>36,117</u>
Diluted	<u>36,081</u>	<u>36,269</u>	<u>36,352</u>	<u>36,681</u>

*See Notes to Unaudited Consolidated Financial Statements.*

**Shutterstock, Inc.**  
**Consolidated Statements of Comprehensive Income**  
**(In thousands)**  
**(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 28,419	\$ 23,040	\$ 111,275	\$ 69,057
Foreign currency translation loss	(1,457)	(6,101)	(149)	(11,932)
Other comprehensive loss	(1,457)	(6,101)	(149)	(11,932)
Comprehensive income	<u>\$ 26,962</u>	<u>\$ 16,939</u>	<u>\$ 111,126</u>	<u>\$ 57,125</u>

*See Notes to Unaudited Consolidated Financial Statements.*

**Shutterstock, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
(In thousands)  
(unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
<b>Three Months Ended September 30, 2023</b>								
Balance at June 30, 2023	39,884	\$ 398	3,856	\$ (204,008)	\$ 402,728	\$ (14,131)	\$ 334,520	\$ 519,507
Equity-based compensation	—	—	—	—	13,003	—	—	13,003
Issuance of common stock in connection with employee stock option exercises and RSU vesting	132	1	—	—	(1)	—	—	—
Common shares withheld for settlement of taxes in connection with equity-based compensation	(60)	—	—	—	(2,869)	—	—	(2,869)
Repurchase of treasury shares	—	—	351	(15,004)	—	—	—	(15,004)
Cash dividends paid	—	—	—	—	—	—	(9,636)	(9,636)
Other comprehensive loss	—	—	—	—	—	(1,457)	—	(1,457)
Net income	—	—	—	—	—	—	28,419	28,419
Balance at September 30, 2023	39,956	\$ 399	4,207	\$ (219,012)	\$ 412,861	\$ (15,588)	\$ 353,303	\$ 531,963
<b>Three Months Ended September 30, 2022</b>								
Balance at June 30, 2022	39,482	\$ 395	3,501	\$ (183,800)	\$ 370,934	\$ (16,619)	\$ 258,183	\$ 429,093
Equity-based compensation	—	—	—	—	9,088	—	—	9,088
Issuance of common stock in connection with employee stock option exercises and RSU vesting	120	2	—	—	1,240	—	—	1,242
Common shares withheld for settlement of taxes in connection with equity-based compensation	(17)	(1)	—	—	(937)	—	—	(938)
Repurchase of treasury shares	—	—	275	(16,208)	—	—	—	(16,208)
Cash dividends paid	—	—	—	—	—	—	(8,633)	(8,633)
Other comprehensive loss	—	—	—	—	—	(6,101)	—	(6,101)
Net income	—	—	—	—	—	—	23,040	23,040
Balance at September 30, 2022	39,585	\$ 396	3,776	\$ (200,008)	\$ 380,325	\$ (22,720)	\$ 272,590	\$ 430,583
<b>Nine Months Ended September 30, 2023</b>								
Balance at January 1, 2023	39,605	\$ 396	3,776	\$ (200,008)	\$ 391,482	\$ (15,439)	\$ 271,051	\$ 447,482
Equity-based compensation	—	—	—	—	36,589	—	—	36,589
Issuance of common stock in connection with employee stock option exercises and RSU vesting	593	5	—	—	(3)	—	—	2
Common shares withheld for settlement of taxes in connection with equity-based compensation	(242)	(2)	—	—	(15,207)	—	—	(15,209)
Repurchase of treasury shares	—	—	431	(19,004)	—	—	—	(19,004)
Cash dividends paid	—	—	—	—	—	—	(29,023)	(29,023)
Other comprehensive loss	—	—	—	—	—	(149)	—	(149)
Net income	—	—	—	—	—	—	111,275	111,275
Balance at September 30, 2023	39,956	\$ 399	4,207	\$ (219,012)	\$ 412,861	\$ (15,588)	\$ 353,303	\$ 531,963
<b>Nine Months Ended September 30, 2022</b>								
Balance at January 1, 2022	39,209	\$ 392	2,792	\$ (127,196)	\$ 376,537	\$ (10,788)	\$ 229,537	\$ 468,482
Equity-based compensation	—	—	—	—	23,958	—	—	23,958
Issuance of common stock in connection with employee stock option exercises and RSU vesting	623	7	—	—	1,803	—	—	1,810
Common shares withheld for settlement of taxes in connection with equity-based compensation	(247)	(3)	—	—	(21,973)	—	—	(21,976)
Repurchase of treasury shares	—	—	984	(72,812)	—	—	—	(72,812)
Cash dividends paid	—	—	—	—	—	—	(26,004)	(26,004)
Other comprehensive loss	—	—	—	—	—	(11,932)	—	(11,932)
Net income	—	—	—	—	—	—	69,057	69,057
Balance at September 30, 2022	39,585	\$ 396	3,776	\$ (200,008)	\$ 380,325	\$ (22,720)	\$ 272,590	\$ 430,583

See Notes to Unaudited Consolidated Financial Statements.

**Shutterstock, Inc.**  
**Consolidated Statements of Cash Flows**  
(In thousands)  
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 111,275	\$ 69,057
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,373	49,834
Deferred taxes	(20,960)	(6,874)
Non-cash equity-based compensation	36,589	23,958
Bad debt expense	1,394	993
Bargain purchase gain	(51,804)	—
Changes in operating assets and liabilities:		
Accounts receivable	(18,641)	(5,541)
Prepaid expenses and other current and non-current assets	(42,167)	(3,157)
Accounts payable and other current and non-current liabilities	3,893	(32,927)
Contributor royalties payable	11,281	5,236
Deferred revenue	16,370	(3,290)
Net cash provided by operating activities	<u>\$ 106,603</u>	<u>\$ 97,289</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(34,715)	(32,922)
Business combination, net of cash acquired	(53,721)	(211,843)
Cash received related to Giphy Retention Compensation	34,707	—
Asset acquisitions	—	(1,667)
Content acquisitions	(9,725)	(11,191)
Security deposit release / (payment)	1,539	(282)
Net cash used in investing activities	<u>\$ (61,915)</u>	<u>\$ (257,905)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repurchase of treasury shares	(19,004)	(73,488)
Proceeds from exercise of stock options	2	1,810
Cash paid related to settlement of employee taxes related to RSU vesting	(15,209)	(21,976)
Payment of cash dividend	(29,023)	(26,004)
Proceeds from credit facility	30,000	50,000
Repayment of credit facility	(50,000)	—
Payment of debt issuance costs	—	(619)
Net cash used in financing activities	<u>\$ (83,234)</u>	<u>\$ (70,277)</u>
Effect of foreign exchange rate changes on cash	(1,380)	(6,880)
Net decrease in cash and cash equivalents	<u>(39,926)</u>	<u>(237,773)</u>
Cash and cash equivalents, beginning of period	115,154	314,017
Cash and cash equivalents, end of period	<u>\$ 75,228</u>	<u>\$ 76,244</u>
<b>Supplemental Disclosure of Cash Information:</b>		
Cash paid for income taxes	\$ 15,970	\$ 19,476
Cash paid for interest	1,232	474

*See Notes to Unaudited Consolidated Financial Statements.*



**Shutterstock, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**(1) Summary of Operations and Significant Accounting Policies**

***Summary of Operations***

Shutterstock, Inc. (the “Company” or “Shutterstock”) is a leading global creative platform offering high-quality content and full-service creative workflow solutions for transformative brands, digital media and marketing companies. In addition, Shutterstock also licenses the metadata associated with images, footage clips, music tracks and 3D models.

The Company’s platform brings together users and contributors of content by providing readily-searchable content that our customers pay to license and by compensating contributors as their content is licensed. Contributors upload their content to the Company’s web properties in exchange for royalty payments based on customer download activity. Beyond content, customers also leverage the Company’s platform to assist with the entire creative process from ideation through creative execution.

The Company’s key content offerings include:

- Images - consisting of photographs, vectors and illustrations. Images are typically used in visual communications, such as websites, digital and print marketing materials, corporate communications, books, publications and other similar uses.
- Footage - consisting of video clips, premium footage filmed by industry experts and cinema grade video effects, available in HD and 4K formats. Footage is often integrated into websites, social media, marketing campaigns and cinematic productions.
- Music - consisting of high-quality music tracks and sound effects, which are often used to complement images and footage.
- 3 Dimensional (“3D”) Models - consisting of 3D models, used in a variety of industries such as advertising, media and video production, gaming, retail, education, design and architecture.
- GIFs - consisting of GIFs (graphics interchange format visuals) that serve as a critical ingredient in text- and message- based conversations and in contextual advertising settings.

***Basis of Presentation***

The unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all information and footnotes required by GAAP for complete financial statements.

The interim Consolidated Balance Sheet as of September 30, 2023, and the Consolidated Statements of Operations, Comprehensive Income and Stockholders’ Equity for the three and nine months ended September 30, 2023 and 2022, and the Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022 are unaudited. The Consolidated Balance Sheet as of December 31, 2022, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures required by GAAP. These unaudited interim financial statements have been prepared on a basis consistent with the Company’s annual financial statements and, in the opinion of management, reflect all adjustments, which include all normal recurring adjustments necessary to fairly state the Company’s financial position as of September 30, 2023, and its consolidated results of operations, comprehensive income, stockholders’ equity and cash flows for the three and nine months ended September 30, 2023 and 2022. The financial data and the other financial information disclosed in the notes to the financial statements related to these periods are also unaudited. The results of operations for the nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2023 or for any other future annual or interim period.

These financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2022 included in the Company’s Annual Report on Form 10-K, which was filed with the SEC on February 14, 2023. The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain immaterial changes in presentation have been made to conform the prior period presentation to current period reporting.

**Shutterstock, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates. Such estimates include, but are not limited to, the determination of the allowance for doubtful accounts, the volume of expected unused licenses for our subscription-based products, the assessment of recoverability of property and equipment, the fair value of acquired goodwill and intangible assets, the amount of non-cash equity-based compensation, the assessment of recoverability of deferred tax assets, the measurement of income tax and contingent non-income tax liabilities and the determination of the incremental borrowing rate used to calculate the lease liability.

**Cash and Cash Equivalents**

The Company's cash and cash equivalents consist primarily of bank deposits.

**Accounts Receivable and Allowance for Doubtful Accounts**

The Company's accounts receivable consists of customer obligations due under normal trade terms, carried at their face value less an allowance for doubtful accounts, if required. The Company determines its allowance for doubtful accounts and credit losses based on an evaluation of (i) the aging of its accounts receivable considering historical receivables loss rates, (ii) on a customer-by-customer basis, where appropriate, and (iii) the economic environments in which the Company operates.

During the nine months ended September 30, 2023, the Company recorded bad debt expense of \$1.4 million. As of September 30, 2023 and December 31, 2022, the Company's allowance for doubtful accounts was approximately \$6.0 million and \$5.8 million, respectively. The allowance for doubtful accounts is included as a reduction of accounts receivable on the Consolidated Balance Sheets.

The Company has certain customer arrangements that contain financing elements. Interest income earned from these financing receivables is recorded on the effective interest method and is included within interest income on the Consolidated Statements of Operations. As of September 30, 2023, approximately \$15.1 million of financing receivables were included in accounts receivable and other assets on the Consolidated Balance Sheets.

In addition, as of September 30, 2023, one customer accounted for approximately 14% of the accounts receivable balance and as of December 31, 2022, one customer accounted for 22% of the accounts receivable balance.

**Chargeback and Sales Refund Allowance**

The Company establishes a chargeback allowance and sales refund reserve allowance based on factors surrounding historical credit card chargeback trends, historical sales refund trends and other information. As of September 30, 2023 and December 31, 2022, the Company's combined allowance for chargebacks and sales refunds was \$0.4 million, which was included as a component of other current liabilities on the Consolidated Balance Sheets.

**Revenue Recognition**

The majority of the Company's revenue is earned from the license of content. Content licenses are generally purchased on a monthly or annual basis, whereby a customer pays for a predetermined quantity of content that may be downloaded over a specific period of time, or, on a transactional basis, whereby a customer pays for individual content licenses at the time of download. The Company also generates revenue from tools made available through the Company's platform.

For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation based on a relative standalone selling price. The standalone selling price is determined based on the price at which the performance obligation is sold separately, or if not observable through past transactions, is estimated taking into account available information including internally approved pricing guidelines and pricing information of comparable products.

The Company recognizes revenue upon the satisfaction of performance obligations. The Company recognizes revenue on both its subscription-based and transaction-based products when content is downloaded by a customer, at which time the license is provided. In addition, the Company estimates expected unused licenses for subscription-based products and recognizes the revenue associated with the unused licenses as digital content is downloaded and licenses are obtained for such content by the customer during the subscription period. The estimate of unused licenses is based on historical download activity and future changes in the estimate could impact the timing of revenue recognition of the Company's subscription products. For revenue associated with tools available through the Company's platform, revenue is recognized on a straight-line basis over the

**Shutterstock, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

subscription period. The Company expenses contract acquisition costs as incurred, to the extent that the amortization period would otherwise be one year or less.

Collectability is probable at the time the electronic order or contract is entered. A significant portion of the Company's customers purchase products by making electronic payments with a credit card at the time of the transaction. Customer payments received in advance of revenue recognition are contract liabilities and are recorded as deferred revenue. Customers that do not pay in advance are invoiced and are required to make payments under standard credit terms. Collectability for customers who pay on credit terms allowing for payment beyond the date at which service commences, is based on a credit evaluation for certain new customers and transaction history with existing customers.

The Company recognizes revenue gross of contributor royalties because the Company is the principal in the transaction as it is the party responsible for the performance obligation and it controls the product or service before transferring it to the customer. The Company also licenses content to customers through third-party resellers. Third-party resellers sell the Company's products directly to customers as the principal in those transactions. Accordingly, the Company recognizes revenue net of costs paid to resellers.

## **(2) Fair Value Measurements and Long-term Investments**

### ***Fair Value Measurements***

The Company had no assets or liabilities requiring fair value hierarchy disclosures as of September 30, 2023 or December 31, 2022, except as noted below.

### ***Other Fair Value Measurements***

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. Debt consists of principal amounts outstanding under our credit facility, which approximates fair value as underlying interest rates are reset regularly based on current market rates and is classified as Level 2. The Company's non-financial assets, which include long-lived assets, intangible assets and goodwill, are not required to be measured at fair value on a recurring basis. However, if the Company is required to evaluate a non-financial asset for impairment, whether due to certain triggering events or because annual impairment testing is required, a resulting asset impairment would require that the non-financial asset be recorded at fair value.

### **Long-term Investments**

As of September 30, 2023 and December 31, 2022, the Company's long-term investments were in equity securities with no readily determinable fair value, totaled \$20.0 million, and were reported within other assets on the Consolidated Balance Sheets. The Company uses the measurement alternative for these equity investments and their carrying value is reported at cost, adjusted for impairments or any observable price changes in ordinary transactions with identical or similar investments.

On a quarterly basis, the Company evaluates the carrying value of its long-term investments for impairment, which includes an assessment of revenue growth, earnings performance, working capital and general market conditions. As of September 30, 2023, no adjustments to the carrying values of the Company's long-term investments were identified as a result of this assessment. Changes in performance negatively impacting operating results and cash flows of these investments could result in the Company recording an impairment charge in future periods.

## **(3) Acquisitions**

### ***Giphy, Inc.***

On May 22, 2023, the Company entered into a Stock Purchase Agreement with Meta Platforms, Inc. ("Meta") dated May 22, 2023 (the "Purchase Agreement"). On June 23, 2023, the Company completed its acquisition of all of the outstanding shares of Giphy, Inc. ("Giphy") from Meta. The consideration paid by the Company pursuant to the Purchase Agreement was \$53 million in net cash, in addition to cash acquired, assumed debt and other working capital adjustments. The consideration was paid with existing cash on hand. Giphy is a New York-based company that operates a collection of GIFs and stickers that supplies casual conversational content. The Company believes its acquisition of Giphy extends Shutterstock's audience touchpoints beyond primarily professional marketing and advertising use cases and expands into casual conversations.

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In January 2023, the United Kingdom Competition and Markets Authority (the “CMA”) issued its final order requiring Meta to divest its ownership of Giphy, which Meta acquired in 2020. In connection with the closing of the acquisition, whose terms were preapproved by the CMA, the Company and Meta entered into a transitional services agreement (the “TSA”) pursuant to which Meta is responsible for certain costs related to retention of Giphy employees, including (i) recurring salary, bonus, and benefits through August 2024, which would be \$35.6 million if all employees are retained through August 2024, and (ii) nonrecurring items, totaling \$87.9 million, comprised of one-time employment inducement bonuses and the cash value of unvested Meta equity awards (the “Giphy Retention Compensation”).

The Giphy Retention Compensation will be paid to the individuals for being employees of the Company subsequent to the completion of the acquisition. Accordingly, it was determined that the payments by the Company are for future service requirements and will be reflected as operating expenses, less any amounts earned by the employees prior to the acquisition, in the Company’s Statements of Operations as incurred. The Giphy Retention Compensation is reflected as a reduction of the purchase price and has been funded into an escrow account.

The Giphy purchase price was calculated as follows:

	<b>Purchase Price</b>
Purchase price	\$ 53,000
Cash acquired and other working capital adjustments	4,750
Cash paid on closing	\$ 57,750
Fair value of Giphy Retention Compensation contingent consideration <sup>1</sup>	(98,723)
Fair value of consideration attributable to pre-combination service <sup>2</sup>	34,972
Net purchase price	\$ (6,001)

1 - This amount consists of \$123.5 million of Giphy Retention Compensation, adjusted for \$18.9 million of income tax obligations associated with the receipt of the Giphy Retention Compensation and \$5.9 million for the time value of money.

2 - Relates to the cash value of replaced unvested Meta equity awards attributable to pre-combination services.

Upon closing of the acquisition, the Company also entered into an agreement with Meta whereby the Company will provide Meta with Giphy content through API services for a period of two years. The Company allocated and deferred \$30 million of the business combination proceeds to this agreement, which will be recognized as revenue as services are provided.

The identifiable intangible assets, which include developed technology and the trade name have weighted average useful lives of approximately 4.0 years and 15.0 years, respectively. The fair value of the developed technology was determined using the cost to recreate method, and the fair value of the trade name was determined using the relief-from-royalty method.

The Giphy transaction was accounted for using the acquisition method and, accordingly, the results of the acquired business has been included in the Company’s results of operations from the acquisition date. For the three and nine months ended September 30, 2023, revenue of \$5.0 million and \$5.4 million, respectively, was included in the Consolidated Statements of Operations related to the Company’s acquisition of Giphy. The fair value of consideration transferred in this business combination has been allocated to the intangible and tangible assets acquired and liabilities assumed at the acquisition date, with the excess of the fair value of the net assets acquired over the net consideration received recorded as a bargain purchase gain. The identifiable intangible assets of these acquisitions are being amortized on a straight-line basis.

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The aggregate purchase price for this acquisition has been allocated to the assets acquired and liabilities assumed as follows (in thousands):

<b>Assets acquired and liabilities assumed:</b>	<b>Giphy<sup>1</sup></b>
Cash and cash equivalents	\$ 4,030
Prepaid expenses and other current assets	1,416
Right of use assets	1,243
<b>Intangible assets:</b>	
Trade name	21,000
Developed technology	21,500
Intangible assets	42,500
Deferred tax asset	1,006
Other assets	1,647
<b>Total assets acquired</b>	<b>\$ 51,842</b>
Accounts payable, accrued expenses and other liabilities	(4,949)
Lease liability	(1,090)
<b>Total liabilities assumed</b>	<b>(6,039)</b>
Net assets acquired	\$ 45,803
Net purchase price	(6,001)
Bargain purchase gain	<u>\$ 51,804</u>

1 - During the three months ended September 30, 2023, the Company revised its preliminary allocation of the Giphy purchase price to the assets acquired and liabilities assumed by \$9.9 million associated with additional information analyzed related to the deferred income tax balances. The measurement and allocation of the purchase price is preliminary and will be finalized within the allowable measurement period once the Company finalizes its assessment of fair value of intangible assets, income tax balances and other assets acquired and liabilities assumed.

The Company recognized a non-taxable bargain purchase gain of \$51.8 million, representing the excess of the fair value of the net assets acquired in addition to the net consideration to be received from Meta. The bargain purchase gain is the result of the CMA's regulatory order requiring Meta's divestiture of Giphy and the Giphy Retention Compensation payments. In connection with the acquisition, the Company incurred approximately \$3.0 million of transaction costs, which is included in general and administrative expenses on the Consolidated Statements of Operations.

As of September 30, 2023, Shutterstock's receivable of \$109.4 million, is against an escrow fully funded by Meta. \$79.8 million and \$29.6 million are included within Prepaid expenses and other current assets and Other assets, respectively, on the Consolidated Balance Sheet.

## **2022 Acquisitions**

### *Pond5, Inc.*

On May 11, 2022, the Company completed its acquisition of all of the outstanding shares of Pond5, for approximately \$218.0 million. The total purchase price was paid with existing cash on hand as well as a \$50 million drawdown on the Company's revolving credit facility. In connection with the acquisition, the Company incurred approximately \$4.0 million of transaction costs, which is included in general and administrative expenses on the Consolidated Statements of Operations.

Pond5 is a New York based company that operates a video-first content marketplace for royalty-free and editorial video. The Company believes its acquisition of this video-first content marketplace provides expanded offerings across footage, image and music.

The identifiable intangible assets, which include customer relationships, developed technology and trade names have weighted average useful lives of approximately 14.2 years, 5 years and 10 years, respectively. The goodwill arising from the transaction is primarily attributable to expected operational synergies and is not deductible for income tax purposes.

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*Splash News*

On May 28, 2022, the Company completed its acquisition of all of the outstanding shares of Splash News, for approximately \$6.3 million. The total purchase price was paid with existing cash on hand. In connection with the acquisition, the Company incurred approximately \$0.3 million of transaction costs, which is included in general and administrative expenses on the Consolidated Statements of Operations.

Splash News is a United Kingdom based entertainment news network and is a source for image and video content across celebrity, red carpet and live events. The Company believes this acquisition expands Shutterstock Editorial's Newsroom offering for access to premium exclusive content.

The identifiable intangible asset, developed technology, has a useful life of approximately 4 years. The goodwill arising from the transaction is primarily attributable to expected operational synergies and is not deductible for income tax purposes.

The Pond5 and Splash News transactions were accounted for using the acquisition method and, accordingly, the results of the acquired businesses have been included in the Company's results of operations from the respective acquisition dates. The fair value of consideration transferred in these business combinations has been allocated to the intangible and tangible assets acquired and liabilities assumed at the acquisition date, with the remaining unallocated amount recorded as goodwill. The identifiable intangible assets of these acquisitions are being amortized on a straight-line basis. The fair value of the customer relationships was determined using a variation of the income approach known as the multiple-period excess earnings method. The fair value of the trade name was determined using the relief-from-royalty method, and the fair value of the developed technology was determined using the relief-from-royalty and the cost to recreate methods.

The aggregate purchase price for these acquisitions has been allocated to the assets acquired and liabilities assumed as follows (in thousands):

<b>Assets acquired and liabilities assumed:</b>	<b>Pond5<sup>1</sup></b>	<b>Splash News</b>	<b>Total</b>
Cash and cash equivalents	\$ 11,675	\$ 180	\$ 11,855
Accounts receivable	1,273	500	1,773
Other assets	1,102	525	1,627
Right of use asset	1,674	—	1,674
Intangible assets:			
Customer relationships	34,900	—	34,900
Trade name	5,300	—	5,300
Developed technology	27,600	1,263	28,863
Intangible assets	67,800	1,263	69,063
Goodwill	158,957	5,565	164,522
<b>Total assets acquired</b>	<b>\$ 242,481</b>	<b>\$ 8,033</b>	<b>\$ 250,514</b>
Accounts payable, accrued expenses and other liabilities	(9,304)	(1,528)	(10,832)
Contributor royalties payable	(3,039)	—	(3,039)
Deferred revenue	(3,705)	—	(3,705)
Deferred tax liability	(6,381)	(189)	(6,570)
Lease liability	(2,038)	—	(2,038)
<b>Total liabilities assumed</b>	<b>(24,467)</b>	<b>(1,717)</b>	<b>(26,184)</b>
<b>Net assets acquired</b>	<b>\$ 218,014</b>	<b>\$ 6,316</b>	<b>\$ 224,330</b>

<sup>1</sup> During the three months ended September 30, 2022, the Company updated its preliminary allocation of the Pond5 purchase price to the assets acquired and liabilities assumed. This resulted in a (i) \$4.0 million increase to goodwill, (ii) a \$4.1 million decrease to intangible assets, including a \$7.0 million decrease to the value of customer relationships, partially offset by a \$2.3 million increase to the value of the developed technology, and (iii) other immaterial adjustments.

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**Pro-Forma Financial Information (unaudited)**

The following unaudited pro forma consolidated financial information (in thousands) reflects the results of operations of the Company for the three and nine months ended September 30, 2023 and 2022, respectively, as if the Giphy acquisition had been completed on January 1, 2022 and as if the Pond5 and Splash News acquisitions had been completed on January 1, 2021, after giving effect to certain purchase accounting adjustments, primarily related to bargain purchase gain, Giphy Retention Compensation - non-recurring, intangible assets and transaction costs. These pro forma results have been prepared for comparative purposes only and are based on estimates and assumptions that have been made solely for purposes of developing such pro forma information and are not necessarily indicative of what the Company's operating results would have been, had the acquisitions actually taken place at the beginning of the previous annual period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue				
As Reported	\$ 233,248	\$ 204,096	\$ 657,368	\$ 610,100
Pro Forma	233,248	209,096	667,368	645,383
Income before income taxes				
As Reported	\$ 27,613	\$ 27,139	\$ 120,408	\$ 82,528
Pro Forma	22,080	10,904	58,685	76,810

**(4) Property and Equipment**

Property and equipment is summarized as follows (in thousands):

	As of September 30, 2023	As of December 31, 2022
Computer equipment and software	\$ 295,193	\$ 261,067
Furniture and fixtures	10,796	10,328
Leasehold improvements	19,043	18,635
Property and equipment	325,032	290,030
Less accumulated depreciation	(263,103)	(235,482)
Property and equipment, net	<u>\$ 61,929</u>	<u>\$ 54,548</u>

Depreciation expense related to property and equipment was \$9.5 million and \$8.7 million for the three months ended September 30, 2023 and 2022, respectively, and \$27.7 million and \$25.0 million for the nine months ended September 30, 2023 and 2022, respectively. Cost of revenues included depreciation expense of \$9.1 million and \$8.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$26.5 million and \$22.7 million for the nine months ended September 30, 2023 and 2022, respectively. General and administrative expense included depreciation expense of \$0.4 million and \$0.8 million for the three months ended September 30, 2023 and 2022, respectively, and \$1.3 million and \$2.3 million for the nine months ended September 30, 2023 and 2022, respectively.

*Capitalized Internal-Use Software*

The Company capitalized costs related to the development of internal-use software of \$12.1 million and \$10.9 million for the three months ended September 30, 2023 and 2022, respectively, and \$33.7 million and \$31.1 million for the nine months ended September 30, 2023 and 2022, respectively. Capitalized amounts are included as a component of property and equipment under computer equipment and software on the Consolidated Balance Sheets.

The portion of total depreciation expense related to capitalized internal-use software was \$8.8 million and \$7.6 million for the three months ended September 30, 2023 and 2022, respectively, and \$25.6 million and \$21.6 million for the nine months ended September 30, 2023 and 2022, respectively. Depreciation expense related to capitalized internal-use software is included in cost of revenue in the Consolidated Statements of Operations.

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As of September 30, 2023 and December 31, 2022, the Company had capitalized internal-use software of \$58.2 million and \$50.1 million, respectively, net of accumulated depreciation, which was included in property and equipment, net.

**(5) Goodwill and Intangible Assets**

**Goodwill**

The Company's goodwill balance is attributable to its Content reporting unit and is tested for impairment annually on October 1 or upon a triggering event. No triggering events were identified during the nine months ended September 30, 2023.

The following table summarizes the changes in the Company's goodwill balance during the nine months ended September 30, 2023 (in thousands):

	<b>Goodwill</b>
Balance as of December 31, 2022	\$ 381,920
Foreign currency translation adjustment	246
Balance as of September 30, 2023	\$ 382,166

**Intangible Assets**

Intangible assets consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	As of September 30, 2023				As of December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Amortizing intangible assets:</b>							
Customer relationships	\$ 89,067	\$ (24,686)	\$ 64,381	12	\$ 88,996	\$ (19,168)	\$ 69,828
Trade name	37,644	(8,478)	29,166	12	16,588	(7,209)	9,379
Developed technology	116,582	(54,769)	61,813	4	94,872	(35,288)	59,584
Contributor content	64,089	(25,762)	38,327	8	54,284	(20,098)	34,186
Patents	259	(161)	98	18	259	(149)	110
<b>Total</b>	<b>\$ 307,641</b>	<b>\$ (113,856)</b>	<b>\$ 193,785</b>		<b>\$ 254,999</b>	<b>\$ (81,912)</b>	<b>\$ 173,087</b>

Amortization expense was \$11.7 million and \$9.5 million for the three months ended September 30, 2023 and 2022, respectively, and \$31.7 million and \$24.8 million for the nine months ended September 30, 2023 and 2022, respectively. Cost of revenue included amortization expense of \$10.8 million and \$8.9 million for the three months ended September 30, 2023 and 2022, respectively, and \$29.4 million and \$23.1 million for the nine months ended September 30, 2023 and 2022, respectively. General and administrative expense included amortization expense of \$1.0 million and \$0.6 million for the three months ended September 30, 2023 and 2022, respectively, and \$2.3 million and \$1.7 million for the nine months ended September 30, 2023 and 2022, respectively.

The Company determined that there was no indication of impairment of the intangible assets for any period presented. Estimated amortization expense is: \$11.6 million for the remaining three months of 2023, \$39.9 million in 2024, \$29.4 million in 2025, \$27.2 million in 2026, \$18.3 million in 2027, \$13.1 million in 2028 and \$54.3 million thereafter.



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**(6) Accrued Expenses**

Accrued expenses consisted of the following (in thousands):

	As of September 30, 2023	As of December 31, 2022
Compensation	\$ 72,861	\$ 40,314
Non-income taxes	22,479	24,390
Website hosting and marketing fees	9,922	6,608
Other expenses	18,572	18,075
Total accrued expenses	<u>\$ 123,834</u>	<u>\$ 89,387</u>

As of September 30, 2023, compensation-related accrued expenses included amounts due to Giphy employees for compensation earned pre-acquisition and severance costs associated with workforce optimizations. For the three months ended September 30, 2023, the Company recognized \$5.0 million of severance costs associated with workforce optimizations. Of this amount, approximately \$4.9 million is included within accrued expenses as of September 30, 2023 and is expected to be paid to employees over the next 12 months.

**(7) Debt**

On May 6, 2022, the Company entered into a five-year \$100 million unsecured revolving loan facility (the "Credit Facility") with Bank of America, N.A., as Administrative Agent and other lenders. The Credit Facility includes a letter of credit sub-facility and a swingline facility and it also permits, subject to the satisfaction of certain conditions, up to \$100 million of additional revolving loan commitments with the consent of the Administrative Agent.

At the Company's option, revolving loans accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.125% to 0.500%, determined based on the Company's consolidated leverage ratio or (ii) the Term Secured Overnight Financing Rate ("SOFR") (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.125% to 1.5%, determined based on the Company's consolidated leverage ratio. The Company is also required to pay an unused commitment fee ranging from 0.150% to 0.225%, determined based on the Company's consolidated leverage ratio. In connection with the execution of this agreement, the Company paid debt issuance costs of approximately \$0.6 million.

As of September 30, 2023 and December 31, 2022, the Company had \$30 million and \$50 million, respectively, of outstanding borrowings under the Credit Facility. As of September 30, 2023, the Company had a remaining borrowing capacity of \$67 million, net of standby letters of credit. For the three and nine months ended September 30, 2023, the Company recognized interest expense of \$0.6 million and \$1.3 million, respectively.

The Credit Facility contains financial covenants and requirements restricting certain of the Company's activities, which are usual and customary for this type of credit facility. The Company is also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio, in each case, determined in accordance with the terms of the Credit Facility. As of September 30, 2023, the Company was in compliance with these covenants.

**(8) Stockholders' Equity and Equity-Based Compensation****Stockholders' Equity***Common Stock*

The Company issued approximately 72,000 and 103,000 shares of common stock during the three months ended September 30, 2023 and 2022, respectively, related to the exercise of stock options and the vesting of Restricted Stock Units.

*Treasury Stock*

In October 2015, the Company's Board of Directors approved a share repurchase program (the "2015 Share Repurchase Program"), authorizing the Company to repurchase up to \$100 million of its common stock. In February 2017, the Company's Board of Directors approved an increase to the share repurchase program, authorizing the Company to repurchase up to an additional \$100 million of its outstanding common stock. As of December 31, 2022, the Company had fully utilized its authorization for repurchases under the 2015 Share Repurchase Program.

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In June 2023, the Company’s Board of Directors approved a share repurchase program (the “2023 Share Repurchase Program”), authorizing the Company to purchase up to \$100 million of its common stock.

The Company expects to fund future repurchases, if any, through a combination of cash on hand, cash generated by operations and future financing transactions, if appropriate. Accordingly, the share repurchase program is subject to the Company having available cash to fund repurchases. Under the share repurchase program, management is authorized to purchase shares of the Company’s common stock from time to time through open market purchases or privately negotiated transactions at prevailing prices as permitted by securities laws and other legal requirements, and subject to market conditions and other factors.

During the three and nine months ended September 30, 2023, the Company repurchased approximately 351,000 and 431,000 shares of its common stock at an average cost of \$42.75 and \$44.06, respectively, under the 2023 Share Repurchase Program. During the three and nine months ended September 30, 2022, the Company repurchased approximately 275,000 and 984,000 shares of its common stock at an average cost of \$58.94 and \$74.02, respectively, under the 2015 Share Repurchase Program.

**Dividends**

The Company declared and paid cash dividends of \$0.27 and \$0.81 per share of common stock, or \$9.6 million and \$29.0 million during the three and nine months ended September 30, 2023, respectively, and \$0.24 and \$0.72 per share of common stock, or \$8.6 million and \$26.0 million, during the three and nine months ended September 30, 2022, respectively.

On October 23, 2023, the Company’s Board of Directors declared a quarterly cash dividend of \$0.27 per share of outstanding common stock payable on December 14, 2023 to stockholders of record at the close of business on November 30, 2023. Future declarations of dividends are subject to the final determination of the Board of Directors, and will depend on, among other things, the Company’s future financial condition, results of operations, capital requirements, capital expenditure requirements, contractual restrictions, anticipated cash needs, business prospects, provisions of applicable law and other factors the Board of Directors may deem relevant.

**Equity-Based Compensation**

The Company recognizes stock-based compensation expense for all equity-based compensation awards, including employee Restricted Stock Units and Performance-based Restricted Stock Units (“PRSUs” and, collectively with Restricted Stock Units, “RSUs”) and stock options, based on the fair value of each award on the grant date. Awards granted prior to June 1, 2022 were granted under the Company’s Amended and Restated 2012 Omnibus Equity Incentive Plan (the “2012 Plan”). At the Annual Meeting held on June 2, 2022, the Company’s stockholders approved the 2022 Omnibus Equity Incentive Plan (the “2022 Plan”). Awards granted subsequent to June 2, 2022 were granted under the 2022 Plan.

The following table summarizes non-cash equity-based compensation expense, net of forfeitures, by financial statement line item included in the accompanying Consolidated Statements of Operations for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 180	\$ 173	\$ 670	\$ 407
Sales and marketing	2,067	1,503	5,158	4,060
Product development	3,509	2,957	10,178	7,295
General and administrative	7,247	4,455	20,583	12,196
<b>Total</b>	<b>\$ 13,003</b>	<b>\$ 9,088</b>	<b>\$ 36,589</b>	<b>\$ 23,958</b>

For the three and nine months ended September 30, 2023 and 2022, substantially all of the Company’s non-cash equity-based compensation expense related to RSUs.

**Stock Option Awards**

During the nine months ended September 30, 2023, no options to purchase shares of its common stock were granted. As of September 30, 2023, there were approximately 303,000 options vested and exercisable with a weighted average exercise price of \$34.53.

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*Restricted Stock Unit Awards*

During the nine months ended September 30, 2023, the Company had RSU grants, net of forfeitures, of approximately 876,000. As of September 30, 2023, there are approximately 2,004,000 non-vested RSUs outstanding with a weighted average grant-date fair value of \$69.29. As of September 30, 2023, the total unrecognized non-cash equity-based compensation expense related to the non-vested RSUs was approximately \$94.1 million, which is expected to be recognized through 2027.

During the nine months ended September 30, 2023 and 2022, shares of common stock with an aggregate value of \$15.2 million and \$22.0 million were withheld upon vesting of RSUs and paid in connection with related remittance of employee withholding taxes to taxing authorities.

**(9) Revenue**

The Company distributes its products through two primary channels:

*E-commerce:* The majority of the Company's customers license content directly through the Company's self-service web properties. E-commerce customers have the flexibility to purchase subscription-based plans that are paid on a monthly or annual basis. Customer are also able to license content on a transactional basis. These customers generally license content under the Company's standard or enhanced licenses, with additional licensing options available to meet customers' individual needs. E-commerce customers typically pay the full amount of the purchase price in advance or at the time of license, generally with a credit card.

*Enterprise:* The Company also has a base of customers with unique content, licensing and workflow needs. These customers benefit from communication with dedicated sales professionals, service and research teams which provide a number of tailored enhancements to their creative workflows including non-standard licensing rights, multi-seat access, ability to pay on credit terms, multi-brand licensing packages, increased indemnification protection and content licensed for use-cases outside of those available on the e-commerce platform.

The Company's revenues by distribution channel for the three and nine months ended September 30, 2023 and 2022 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
E-commerce	\$ 106,037	\$ 124,594	\$ 337,694	\$ 379,052
Enterprise	127,211	79,502	319,674	231,048
Total Revenue	<u>\$ 233,248</u>	<u>\$ 204,096</u>	<u>\$ 657,368</u>	<u>\$ 610,100</u>

Deferred revenue reported on the balance sheet represents unfulfilled performance obligations for which the Company has either received payment or has outstanding receivables. The September 30, 2023 deferred revenue balance will be earned as content is downloaded or upon the expiration of subscription-based products, and nearly all is expected to be earned within the next twelve months. \$159.6 million of total revenue recognized for the nine months ended September 30, 2023 was reflected in deferred revenue as of December 31, 2022. In addition, as of September 30, 2023, the Company has approximately \$58.4 million of contracted but unsatisfied performance obligations relating primarily to our computer vision offering, which are not included as a component of deferred revenue and that the Company expects to recognize over a five year period.

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**(10) Other Income / (Expense), net**

The following table presents a summary of the Company's other income and expense activity included in the accompanying Consolidated Statements of Operations for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Foreign currency (loss) / gain	\$ (775)	\$ (1,116)	\$ 887	\$ (2,877)
Interest expense	(562)	(439)	(1,286)	(645)
Interest income and other	1,894	9	2,727	73
Total other income / (expense)	<u>\$ 557</u>	<u>\$ (1,546)</u>	<u>\$ 2,328</u>	<u>\$ (3,449)</u>

**(11) Income Taxes**

The Company's effective tax rates yielded a net benefit of 2.9% and net expense of 15.1% for the three months ended September 30, 2023 and 2022, respectively, and a net expense of 7.6% and 16.3% for the nine months ended September 30, 2023 and 2022, respectively.

During the three and nine months ended September 30, 2023, the net effect of discrete items decreased the effective tax rate by 14.9% and 8.9%, respectively. The discrete items for the three months ended September 30, 2023, primarily relate to the effect of the U.S. Research and Development ("R&D") tax credit claimed on the Company's 2022 tax return, which was substantially completed in the third quarter of 2023. The discrete items for the nine months ended September 30, 2023, primarily relate to the non-taxable bargain purchase gain associated with the acquisition of Giphy and the effect of the U.S. Research and Development ("R&D") tax credit claimed on the Company's 2022 tax return, which was substantially completed in the third quarter of 2023. Excluding discrete items, the Company's effective tax rate would have been 12.0% and 16.5% for the three and nine months ended September 30, 2023, respectively.

During the three and nine months ended September 30, 2022, the net effect of discrete items decreased the effective tax rate by 3.3% and 2.5%, respectively. The discrete items for the three months ended September 30, 2022, primarily relate to the effect of the U.S. Research and Development ("R&D") tax credit claimed on the Company's 2021 tax return, which was substantially completed in the third quarter of 2022. The discrete items for the nine months ended September 30, 2022, primarily relate to windfall tax benefits associated with equity-based compensation. Excluding discrete items, the Company's effective tax rate would have been 18.4% and 18.8% for the three and nine months ended September 30, 2022, respectively.

The Company has computed the provision for income taxes based on the estimated annual effective tax rate excluding a loss jurisdiction with no tax benefit and the application of discrete items, if any, in the applicable period.

During the three and nine months ended September 30, 2023 and 2022, uncertain tax positions recorded by the Company were not significant. To the extent the remaining uncertain tax positions are ultimately recognized, the Company's effective tax rate may be impacted in future periods.

The Company recognizes interest expense and tax penalties related to unrecognized tax benefits in income tax expense in the Consolidated Statements of Operations. The Company's accrual for interest and penalties related to unrecognized tax benefits was not significant for the three and nine months ended September 30, 2023 and 2022.

During the nine months ended September 30, 2023 and 2022, the Company paid net cash taxes of \$16.0 million and \$19.5 million, respectively.

**Shutterstock, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**(12) Net Income Per Share**

Basic net income per share is computed using the weighted average number of shares of common stock outstanding for the period, excluding unvested RSUs and stock options. Diluted net income per share is based upon the weighted average shares of common stock outstanding for the period plus dilutive potential shares of common stock, including unvested RSUs and stock options using the treasury stock method.

The following table sets forth the computation of basic and diluted net income per share for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 28,419	\$ 23,040	\$ 111,275	\$ 69,057
Shares used to compute basic net income per share	35,912	35,929	35,938	36,117
Dilutive potential common shares				
Stock options	70	120	114	174
Unvested restricted stock awards	99	220	300	390
Shares used to compute diluted net income per share	36,081	36,269	36,352	36,681
Basic net income per share	\$ 0.79	\$ 0.64	\$ 3.10	\$ 1.91
Diluted net income per share	\$ 0.79	\$ 0.64	\$ 3.06	\$ 1.88
Dilutive shares included in the calculation	663	1,208	1,152	1,150
Anti-dilutive shares excluded from the calculation	1,342	549	857	400

**(13) Geographic Information**

The following table presents the Company's revenue based on customer location (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
North America	\$ 123,330	\$ 89,061	\$ 318,672	\$ 254,900
Europe	56,559	57,308	174,006	182,792
Rest of the world	53,359	57,727	164,690	172,408
Total revenue	\$ 233,248	\$ 204,096	\$ 657,368	\$ 610,100

The United States, included in North America in the above table, accounted for 45% and 39% of consolidated revenue for the nine months ended September 30, 2023 and 2022, respectively. No other country accounts for more than 10% of the Company's revenue in any period presented.

The Company's long-lived tangible assets were located as follows (in thousands):

	As of September 30, 2023	As of December 31, 2022
North America	\$ 45,530	\$ 42,266
Europe	16,335	12,079
Rest of the world	64	203
Total long-lived tangible assets	\$ 61,929	\$ 54,548

The United States, included in North America in the above table, accounted for 69% and 73% of total long-lived tangible assets as of September 30, 2023 and December 31, 2022, respectively. Ireland, included in Europe in the above table, accounted for 20% and 17% of total long-lived tangible assets as of September 30, 2023 and December 31, 2022, respectively. No other country accounts for more than 10% of the Company's long-lived tangible assets in any period presented.

**Shutterstock, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**(14) Commitments and Contingencies**

As of September 30, 2023, the Company had total non-lease obligations in the amount of approximately \$76.0 million, which consisted primarily of minimum royalty guarantees and unconditional purchase obligations related to contracts for infrastructure and other business services. As of September 30, 2023, the Company's non-lease obligations for the remainder of 2023 and for the years ending December 31, 2024, 2025, 2026, 2027 and 2028 were approximately \$25.2 million, \$36.2 million, \$11.7 million, \$2.3 million, \$0.4 million and \$0.2 million, respectively.

***Legal Matters***

From time to time, the Company may become party to litigation in the ordinary course of business, including direct claims brought by or against the Company with respect to intellectual property, contracts, employment and other matters, as well as claims brought against the Company's customers for whom the Company has a contractual indemnification obligation. The Company assesses the likelihood of any adverse judgments or outcomes with respect to these matters and determines loss contingency assessments on a gross basis after assessing the probability of incurrence of a loss and whether a loss is reasonably estimable. In addition, the Company considers other relevant factors that could impact its ability to reasonably estimate a loss. A determination of the amount of reserves required, if any, for these contingencies is made after analyzing each matter. The Company reviews reserves, if any, at least quarterly and may change the amount of any such reserve in the future due to new developments or changes in strategy in handling these matters. Although the results of litigation and threats of litigation, investigations and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these matters will not have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors. The Company currently has no material active litigation matters and, accordingly, no material reserves related to litigation.

***Indemnification and Employment Agreements***

In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to customers with respect to certain matters, including, but not limited to, losses arising out of the breach of the Company's intellectual property warranties for damages to the customer directly attributable to the Company's breach. The Company is not responsible for any damages, costs, or losses to the extent such damages, costs or losses arise as a result of any modifications made by the customer, or the context in which content is used. The standard maximum aggregate obligation and liability to any one customer for any single claim is generally limited to ten thousand dollars but can range to \$250,000, with certain exceptions for which our indemnification obligations are uncapped. As of September 30, 2023, the Company had recorded no material liabilities related to indemnification obligations for loss contingencies. Additionally, the Company believes that it has the appropriate insurance coverage in place to adequately cover such indemnification obligations, if necessary.

Pursuant to the Company's charter documents and separate written indemnification agreements, the Company has certain indemnification obligations to its executive officers, certain employees and directors, as well as certain former officers and directors.

The Company has also entered into employment agreements with its executive officers and certain employees. These agreements specify various employment-related matters, including annual compensation, performance incentive bonuses, and severance benefits in the event of termination or in the event of a change in control or otherwise, with or without cause.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and related notes contained elsewhere in this Quarterly Report on Form 10-Q and with information contained in our other filings, including the audited consolidated financial statements included in our 2022 Form 10-K.*

*In addition to historical consolidated financial information, this discussion contains forward-looking statements including statements about our plans, estimates and beliefs. These statements involve risks and uncertainties and our actual results could differ materially from those expressed or implied in forward-looking statements. See “Forward Looking Statements” above. See also the “Risk Factors” disclosures contained in our 2022 Form 10-K for additional discussion of the risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements.*

### **Overview and Recent Developments**

Shutterstock, Inc. (referred to herein as the “Company”, “we,” “our,” and “us”) is a leading global creative platform offering high-quality content and full-service creative workflow solutions for transformative brands, digital media and marketing companies. In addition, Shutterstock also licenses the metadata associated with images, footage clips, music tracks and 3D models.

Our platform brings together users and contributors of content by providing readily-searchable content that our customers pay to license and by compensating contributors as their content is licensed. Contributors upload their content to our web properties in exchange for royalty payments based on customer download activity. Beyond content, customers also leverage the Company’s platform to assist with the entire creative process from ideation through creative execution.

Our key content offerings include:

- Images - consisting of photographs, vectors and illustrations. Images are typically used in visual communications, such as websites, digital and print marketing materials, corporate communications, books, publications and other similar uses.
- Footage - consisting of video clips, premium footage filmed by industry experts and cinema grade video effects, available in HD and 4K formats. Footage is often integrated into websites, social media, marketing campaigns and cinematic productions.
- Music - consisting of high-quality music tracks and sound effects, which are often used to complement images and footage.
- 3 Dimensional (“3D”) Models - consisting of 3D models, used in a variety of industries such as advertising, media and video production, gaming, retail, education, design and architecture.
- GIFs - consisting of GIFs (graphics interchange format visuals) that serve as a critical ingredient in text- and message- based conversations and in contextual advertising settings.

Our offerings are distributed to customers under the following brands: Shutterstock; Pond5; Giphy; TurboSquid; Offset; PremiumBeat; Bigstock; PicMonkey; and Splash News.

Shutterstock, our flagship brand, includes various content types such as image, footage, music and editorial. For customers seeking specialized solutions, Shutterstock Studios extends our offerings by providing custom, high-quality content matched with production tools and services at scale.

In addition, we also license the metadata associated with our images, footage clips, music tracks and 3D models through our computer vision data partnerships offering, which is used by large technology companies as training data for their individual generative AI and machine learning needs. During the three and nine months ended September 30, 2023, we have recognized \$45.5 million and \$79.5 million of revenue associated with our computer vision data partnerships offering.

Pond5 is a video-first content marketplace which expands the Company’s content offerings across footage, image and music. PicMonkey is a leading online graphic design and image editing platform. TurboSquid operates a marketplace that offers more than one million 3D models and a 2 dimensional (“2D”) marketplace derived from 3D objects. Our Offset brand provides authentic and exceptional content for high-impact use cases that require extraordinary images, featuring work from top assignment photographers and illustrators from around the world. PremiumBeat offers exclusive high-quality music tracks and

provides producers, filmmakers and marketers the ability to search handpicked production music from the world's leading composers. Bigstock maintains a separate content library tailored for creators seeking to incorporate cost-effective imagery into their projects.

Over 2.1 million active, paying customers contributed to our revenue for the twelve-month period ended September 30, 2023. Our library has grown to more than 757 million images and more than 52 million footage clips as of September 30, 2023. This makes our collection of content one of the largest of its kind, and we delivered 117.6 million paid downloads to our customers across all of our brands during the nine months ended September 30, 2023.

Contributors of content typically earn a royalty each time their work is licensed. Contributors earn royalties based on our published earnings schedule that is based on annual licensing volume, which determines the contributor's earnings tier and the purchase option under which the content was licensed. Royalties represent the largest component of our operating expenses, are reported within cost of revenue, tend to fluctuate proportionately with revenue and paid downloads and may be impacted by the mix of products sold.

Through our platform, we generate revenue by licensing content to our customers. During the nine months ended September 30, 2023, 51% of our revenue and the majority of our content licenses came from our E-commerce sales channel. The majority of our customers license content directly through our self-service web properties. E-commerce customers have the ability to purchase plans that are paid on either a monthly or annual basis or to license content on a transactional basis. E-commerce customers generally license content under our standard or enhanced licenses, with additional licensing options available to meet customers' individual needs.

Customers in our Enterprise sales channel generally have unique content, licensing and workflow needs. These customers benefit from communication with our dedicated sales, service and research teams which provide a number of personalized enhancements to their creative workflows including non-standard licensing rights, multi-seat access, ability to pay on credit terms, multi-brand licensing packages, increased indemnification protection and content licensed for use-cases outside of those available on our e-commerce platform. Customers in our enterprise sales channel may also benefit from access to (i) Shutterstock Editorial, which includes our library of editorial images and videos, (ii) Shutterstock Studios, our offering which provides custom, high-quality content matched with production tools and services at scale, and (iii) computer vision, our data partnerships offering which provides metadata associated with our content collection, used to train AI models. Our range of solutions, including the depth of our API platform integrations, appeals to a broad and diverse customer base and enables us to adapt and evolve with the needs of our more high touch clients to deliver capabilities that embed deep within their workflows. Our Enterprise sales channel provided approximately 49% of our revenue for the nine months ended September 30, 2023.

#### *Acquisition of Giphy, Inc.*

On May 22, 2023, we entered into a Stock Purchase Agreement with Meta Platforms, Inc. ("Meta") dated May 22, 2023 (the "Purchase Agreement"). On June 23, 2023, we completed our acquisition of all of the outstanding shares of Giphy, Inc. ("Giphy") from Meta. The consideration payable, pursuant to the Purchase Agreement, was \$53 million in net cash, in addition to cash acquired, assumed debt and other working capital adjustments. The consideration was paid with existing cash on hand. Giphy is a New York-based company that operates a collection of GIFs and stickers that supplies casual conversational content. The Company believes its acquisition of Giphy extends Shutterstock's audience touchpoints beyond primarily professional marketing and advertising use cases and expands into casual conversations.

In January 2023, the United Kingdom Competition and Markets Authority (the "CMA") issued its final order requiring Meta to divest its ownership of Giphy, which Meta acquired in 2020. In connection with the closing of the acquisition, whose terms were preapproved by the CMA, Shutterstock and Meta entered into a transitional services agreement (the "TSA") pursuant to which Meta is responsible for certain costs related to retention of Giphy employees, including (i) recurring salary, bonus, and benefits through August 2024, which would be \$35.6 million if all employees are retained through August 2024, and (ii) nonrecurring items, totaling \$87.9 million, comprised of one-time employment inducement bonuses and the cash value of unvested Meta equity awards (the "Giphy Retention Compensation").

The Giphy Retention Compensation will be paid to the individuals for being employees of the Company subsequent to the completion of the acquisition. Accordingly, we determined that the payments are for future service requirements and will be reflected as operating expenses, less any amounts earned by the employees prior to the acquisition, in our Statements of Operations as incurred. The Giphy Retention Compensation is reflected as a reduction of the purchase price and has been funded into an escrow account.

Upon closing of the acquisition, the Company also entered into an agreement with Meta whereby the Company will provide Meta with Giphy content through API services for a period of two years.



## **Key Operating Metrics**

In addition to key financial metrics, we regularly review a number of key operating metrics to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe that these metrics can be useful for understanding the underlying trends in our business.

Subscribers, subscriber revenue and average revenue per customer from acquisitions are included in these metrics beginning twelve months after the closing of the respective business combination. Accordingly, the metrics include Subscribers, Subscriber revenue, and Average revenue per customer from TurboSquid beginning February 2022, from PicMonkey beginning September 2022, and from Pond5 and Splash News beginning May 2023. These metrics exclude the respective counts and revenues from Giphy.

### ***Subscribers***

We define subscribers as those customers who purchase one or more of our monthly recurring products for a continuous period of at least three months, measured as of the end of the reporting period. We believe the number of subscribers is an important metric that provides insight into our monthly recurring business. We believe that an increase in our number of subscribers is an indicator of engagement in our platform and potential for future growth.

### ***Subscriber Revenue***

We define subscriber revenue as the revenue generated from subscribers during the period. We believe subscriber revenue, together with our number of subscribers, provide insight into the portion of our business driven by our monthly recurring products.

### ***Average Revenue Per Customer***

Average revenue per customer is calculated by dividing total revenue for the last twelve-month period by customers. We define customers as total active, paying customers that contributed to total revenue over the last twelve-month period. Changes in our average revenue per customer will be driven by changes in the mix of our subscription-based and transactional products as well as pricing in our transactional business.

### ***Paid Downloads***

We define paid downloads as the number of downloads that our customers make in a given period of our content. Paid downloads exclude content related to our Studios business, downloads of content that are offered to customers for no charge (including our free trials), and downloads associated with our computer vision offering. Measuring the number of paid downloads that our customers make in a given period is important because it is a measure of customer engagement on our platform and triggers the recognition of revenue and contributor royalties.

### ***Revenue per Download***

We define revenue per download as the amount of revenue recognized in a given period divided by the number of paid downloads in that period excluding revenue from our Studios business, revenue that is not derived from or associated with content licenses and revenue associated with our computer vision offering. This metric captures any changes in our pricing, including changes resulting from the impact of competitive pressures, as well as the mix of licensing options that our customers choose, some of which generate more revenue per download than others, and the impact that changes in foreign currency rates have on our pricing. Changes in revenue per download are primarily driven by the introduction of new product offerings, changes in product and sales channel mix and customer utilization of our products.

### ***Content in our Collection***

We define content in our collection as the total number of approved images (photographs, vectors and illustrations) and footage (in number of clips) in our library at the end of the period. We exclude content from this collection metric that is not uploaded directly to our site but is available for license by our customers through an application program interface, content from our Studios business and AI generated content. Prior to December 31, 2022, this metric only included approved images and footage clips in our library on shutterstock.com at the end of the period. We believe that our large selection of high-quality content enables us to attract and retain customers and drives our network effect.

The following table summarizes our key operating metrics, which are unaudited, for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Subscribers (end of period) <sup>1</sup>	551,000	607,000	551,000	607,000
Subscriber revenue (in millions) <sup>1</sup>	\$ 88.3	\$ 87.7	\$ 266.3	\$ 257.8
Average revenue per customer (last twelve months) <sup>1</sup>	\$ 401	\$ 329	\$ 401	\$ 329
Paid downloads (in millions)	36.4	42.8	117.6	130.8
Revenue per download	\$ 4.76	\$ 4.43	\$ 4.63	\$ 4.37
Content in our collection (end of period, in millions):				
Images	757	527	757	527
Footage clips	52	28	52	28

<sup>1</sup> Subscribers, Subscriber Revenue and Average Revenue Per Customer from acquisitions are included in these metrics beginning twelve months after the closing of the respective business combination. Accordingly, the metrics include Subscribers, Subscriber revenue, and Average revenue per customer from TurboSquid beginning February 2022, from PicMonkey beginning September 2022, and from Pond5 and Splash News beginning May 2023. These metrics exclude the respective counts and revenues from our acquisition of Giphy.

### Critical Accounting Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of the consolidated financial statements in conformity with GAAP requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure or inclusion of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to allowance for doubtful accounts, the volume of expected unused licenses used in revenue recognition for our subscription-based products, the fair value of acquired goodwill and intangible assets and income tax provisions. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Therefore, we consider these to be our critical accounting estimates. Actual results could differ from those estimates.

A description of our critical accounting policies that involve significant management judgments appears in our 2022 Form 10-K, under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates.”

See Note 1 to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a full description of the impact of the adoption of new accounting standards on our financial statements. There have been no material changes to our critical accounting estimates as compared to our critical accounting policies and estimates included in our 2022 Form 10-K.

## Key Components of Our Results of Operations

### Revenue

We distribute our content offerings through two primary channels:

*E-commerce:* The majority of our customers license content directly through our self-service web properties. E-commerce customers have the flexibility to purchase a subscription-based plan that is paid on a monthly or annual basis or to license content on a transactional basis. These customers generally license content under our standard or enhanced licenses, with additional licensing options available to meet customers' individual needs. E-commerce customers typically pay the full amount of the purchase price in advance or at the time of license, generally with a credit card.

*Enterprise:* We also have a base of customers with unique content, licensing and workflow needs. These customers benefit from communication with our dedicated sales, service and research teams which provide a number of tailored enhancements to their creative workflows including non-standard licensing rights, multi-seat access, ability to pay on credit terms, multi-brand licensing packages, increased indemnification protection and content licensed for use-cases outside of those available on the e-commerce platform.

The Company's revenues by distribution channel for the three and nine months ended September 30, 2023 and 2022 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
E-commerce	\$ 106,037	\$ 124,594	\$ 337,694	\$ 379,052
Enterprise	127,211	79,502	319,674	231,048
Total Revenues	\$ 233,248	\$ 204,096	\$ 657,368	\$ 610,100

### Costs and Expenses

*Cost of Revenue.* Cost of revenue consists of royalties paid to contributors, credit card processing fees, content review costs, customer service expenses, infrastructure and hosting costs related to maintaining our creative platform and cloud-based software platform, depreciation and amortization of capitalized internal-use software, purchased content and acquisition-related intangible assets, allocated facility costs and other supporting overhead costs. Cost of revenue also includes employee compensation, including non-cash equity-based compensation, bonuses and benefits associated with the maintenance of our creative platform and cloud-based software platform.

*Sales and Marketing.* Sales and marketing expenses include third-party marketing, advertising, branding, public relations and sales expenses. Sales and marketing expenses also include associated employee compensation, including non-cash equity-based compensation, bonuses and benefits, and commissions as well as allocated facility and other supporting overhead costs.

*Product Development.* Product development expenses consist of employee compensation, including non-cash equity-based compensation, bonuses and benefits, and expenses related to vendors engaged in product management, design, development and testing of our websites and products. Product development costs also includes software and other IT equipment costs, allocated facility expenses and other supporting overhead costs.

*General and Administrative.* General and administrative expenses include employee compensation, including non-cash equity-based compensation, bonuses and benefits for executive, finance, accounting, legal, human resources, internal information technology, internet security, business intelligence and other administrative personnel. In addition, general and administrative expenses include outside legal, tax and accounting services, bad debt expense, insurance, facilities costs, other supporting overhead costs and depreciation and amortization expense.

*Bargain Purchase Gain.* A bargain purchase gain is recognized subsequent to an acquisition, if the fair value of the net assets acquired and liabilities assumed exceeds the net consideration.

*Other Income / (Expense), Net.* Other income, net consists of non-operating costs such as foreign currency transaction gains and losses in addition to interest income and expense.

*Income Taxes.* We compute income taxes using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted statutory income tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized.

## Results of Operations

The following table presents our results of operations for the periods indicated. The period-to-period comparisons of results are not necessarily indicative of results for future periods.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in thousands)				
<b>Consolidated Statements of Operations:</b>				
Revenue	\$ 233,248	\$ 204,096	\$ 657,368	\$ 610,100
Operating expenses:				
Cost of revenue	94,219	79,911	256,798	226,381
Sales and marketing	56,165	47,777	152,084	155,335
Product development	28,098	17,534	72,722	48,322
General and administrative	37,574	30,189	109,488	94,085
Total operating expenses	216,056	175,411	591,092	524,123
Income from operations	17,192	28,685	66,276	85,977
Bargain purchase gain	9,864	—	51,804	—
Other income / (expense), net	557	(1,546)	2,328	(3,449)
Income before income taxes	27,613	27,139	120,408	82,528
(Benefit) / Provision for income taxes	(806)	4,099	9,133	13,471
Net income	\$ 28,419	\$ 23,040	\$ 111,275	\$ 69,057

The following table presents the components of our results of operations for the periods indicated as a percentage of revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Consolidated Statements of Operations:</b>				
Revenue	100 %	100 %	100 %	100 %
Operating expenses:				
Cost of revenue	40 %	39 %	39 %	37 %
Sales and marketing	24 %	23 %	23 %	25 %
Product development	12 %	9 %	11 %	8 %
General and administrative	16 %	15 %	17 %	15 %
Total operating expenses	93 %	86 %	90 %	86 %
Income from operations	7 %	14 %	10 %	14 %
Bargain purchase gain	4 %	— %	8 %	— %
Other income / (expense), net	— %	(1)%	— %	(1)%
Income before income taxes	12 %	13 %	18 %	14 %
(Benefit) / Provision for income taxes	— %	2 %	1 %	2 %
Net income	12 %	11 %	17 %	11 %

Note: Due to rounding, percentages may not sum to totals.

## Comparison of the Three Months Ended September 30, 2023 and 2022

The following table presents our results of operations for the periods indicated (in thousands):

	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
<b>Consolidated Statements of Operations:</b>				
Revenue	\$ 233,248	\$ 204,096	\$ 29,152	14
Operating expenses:				
Cost of revenue	94,219	79,911	14,308	18
Sales and marketing	56,165	47,777	8,388	17
Product development	28,098	17,534	10,564	60
General and administrative	37,574	30,189	7,385	24
Total operating expenses	216,056	175,411	40,645	23
Income from operations	17,192	28,685	(11,493)	(40)
Bargain purchase gain	9,864	—	9,864	
Other income / (expense), net	557	(1,546)	2,103	(133)
Income before income taxes	27,613	27,139	474	2
(Benefit) / Provision for income taxes	(806)	4,099	(4,905)	(12)
Net income	\$ 28,419	\$ 23,040	\$ 5,379	23

\*Not meaningful

### Revenue

Revenue increased by \$29.2 million, or 14%, to \$233.2 million in the three months ended September 30, 2023 compared to the same period in 2022. On a constant currency basis, revenue increased approximately 12% in the three months ended September 30, 2023, compared to the same period in 2022.

The Company's E-commerce revenues decreased by 15%, to \$106.0 million in the three months ended September 30, 2023, compared to the same period in 2022. On a constant currency basis, E-commerce revenues decreased by 16% in the three months ended September 30, 2023, compared to the same period in 2022. The decline in our E-commerce revenues was primarily driven by weakness in new customer acquisition.

The Company's Enterprise revenues increased by 60%, to \$127.2 million in the three months ended September 30, 2023, compared to the same period in 2022. On a constant currency basis, Enterprise revenues increased by 57% in the three months ended September 30, 2023, compared to the same period in 2022. The increase in Enterprise revenues was primarily driven by growth in our computer vision data partnerships which generated \$45.5 million and \$1.5 million of revenue in the three months ended September 30, 2023 and 2022, respectively.

In the three months ended September 30, 2023 and 2022, we delivered 36.4 million and 42.8 million paid downloads, respectively, and our revenue per download was \$4.76 and \$4.43 for the three months ended September 30, 2023 and 2022, respectively. During the three months ended September 30, 2023, the decline in paid downloads is attributed to the decline in the E-commerce business.

Changes in our revenue by region were as follows: revenue from North America increased by \$34.3 million, or 38%, to \$123.3 million, revenue from Europe decreased by \$0.7 million, or 1%, to \$56.6 million and revenue from outside Europe and North America decreased by \$4.4 million, or 8%, to \$53.4 million, in the three months ended September 30, 2023 compared to the same period in 2022.

## Costs and Expenses

**Cost of Revenue.** Cost of revenue increased by \$14.3 million, or 18% to \$94.2 million in the three months ended September 30, 2023 compared to the same period in 2022. This increase was primarily driven by: (i) increased royalty, content and reviewer costs; (ii) higher costs associated with website hosting, hardware and software licenses; (iii) increased depreciation and amortization expense driven by our acquisition of Giphy, and (iv) Giphy employee-related costs comprised of \$2.3 million of recurring Giphy Retention Compensation and \$0.9 million of non-recurring Giphy Retention Compensation not considered necessary to operate our business. We expect that our cost of revenue will continue to fluctuate in-line with changes in revenue.

**Sales and Marketing.** Sales and marketing expenses increased by \$8.4 million, or 18%, to \$56.2 million in the three months ended September 30, 2023 compared to the same period in 2022. As a percent of revenue, sales and marketing expenses increased to 24% for the three months ended September 30, 2023, from 23% for the same period in 2022. This was primarily driven by \$4.6 million in higher employee-related costs and sales commission and \$1.6 million in higher consulting costs. For the three months ended September 30, 2023, sales and marketing expenses included (i) \$1.2 million in severance costs associated with strategic workforce optimizations and (ii) \$0.2 million of expense associated with non-recurring Giphy Retention Compensation not considered necessary to operate our business. We expect sales and marketing expenses to continue to fluctuate as we optimize our sales channels and invest in new customer acquisition, products and geographies.

**Product Development.** Product development expenses increased by \$10.6 million, or 60%, to \$28.1 million in the three months ended September 30, 2023 compared to the same period in 2022. The increase in product development was primarily driven by Giphy employee-related costs comprised of \$2.7 million of recurring Giphy Retention Compensation and \$5.6 million of non-recurring Giphy Retention Compensation not considered necessary to operate our business. For the three months ended September 30, 2023, product development expenses included \$1.5 million in severance costs associated with strategic workforce optimizations. We expect product development expenses, of which a portion will be capitalized, to continue in the foreseeable future, as we pursue opportunities to invest in developing new products and internal tools and enhance the functionality of our existing products and technologies.

**General and Administrative.** General and administrative expenses increased by \$7.4 million, or 24%, to \$37.6 million in the three months ended September 30, 2023 compared to the same period in 2022. This increase was driven by (i) \$2.6 million in higher non-cash equity-based compensation expense; (ii) \$0.9 million of recurring Giphy Retention Compensation and (iii) \$1.4 million of non-recurring Giphy Retention Compensation not considered necessary to operate our business. For the three months ended September 30, 2023, general and administrative expenses included \$2.1 million in severance costs associated with strategic workforce optimizations.

**Bargain Purchase Gain.** In the three months ended September 30, 2023, we increased our Giphy acquisition bargain purchase gain by \$9.9 million associated with updates to deferred income tax balances recorded in the Giphy opening balance sheet.

**Other Income / (Expense), Net.** In the three months ended September 30, 2023, other income / (expense), net substantially consisted of \$1.9 million of interest income, partially offset by \$0.8 million of unfavorable unrealized foreign currency fluctuations and \$0.6 million of interest expense related to our credit facility. During the three months ended September 30, 2022, other income / (expense), net substantially consisted of \$1.1 million of unfavorable unrealized foreign currency fluctuations. As we increase the volume of business transacted in foreign currencies resulting from international expansion and as currency rates fluctuate, we expect foreign currency gains and losses to continue to fluctuate.

**Income Taxes.** Income tax expense decreased by \$4.9 million for the three months ended September 30, 2023, compared to the same period in 2022. Our effective tax rates were 2.9% and 15.1% for the three months ended September 30, 2023 and 2022, respectively.

For the three months ended September 30, 2023, the net effect of discrete items decreased the effective tax rate by 14.9%. The discrete items for the three months ended September 30, 2023, primarily relate to the effect of the U.S. Research and Development (“R&D”) tax credit claimed on the Company’s 2022 tax return, which was substantially completed in the third quarter of 2023. Excluding discrete items, our effective tax rate would have been 12.0% for the three months ended September 30, 2023.

For the three months ended September 30, 2022, the effective tax rate decreased by 3.3% related primarily to the effect of the U.S. Research and Development (“R&D”) tax credit claimed on the Company’s 2021 tax return, which was substantially completed in the third quarter of 2022. Excluding discrete items, our effective tax rate would have been 18.4% for the three months ended September 30, 2022.

As we continue to expand our operations outside of the United States, we have been and may continue to become subject to taxation in additional non-U.S. jurisdictions and our effective tax rate could fluctuate accordingly.

### Comparison of the Nine Months Ended September 30, 2023 and 2022

The following table presents our results of operations for the periods indicated:

	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
(in thousands)				
<b>Consolidated Statements of Operations Data:</b>				
Revenue	\$ 657,368	\$ 610,100	\$ 47,268	8 %
Operating expenses:				
Cost of revenue	256,798	226,381	30,417	13 %
Sales and marketing	152,084	155,335	(3,251)	(2) %
Product development	72,722	48,322	24,400	50 %
General and administrative	109,488	94,085	15,403	16 %
Total operating expenses	591,092	524,123	66,969	13 %
Income from operations	66,276	85,977	(19,701)	(23) %
Bargain purchase gain	51,804	—	51,804	*
Other income / (expense), net	2,328	(3,449)	5,777	(167) %
Income before income taxes	120,408	82,528	37,880	46 %
Provision for income taxes	9,133	13,471	(4,338)	(32) %
Net income	\$ 111,275	\$ 69,057	\$ 42,218	61 %

\*Not meaningful

### Revenue

Revenue increased by \$47.3 million, or 8%, to \$657.4 million in the nine months ended September 30, 2023 compared to the same period in 2022. Foreign currency fluctuations did not have a significant impact on the Company's revenues in the nine months ended September 30, 2023.

The Company's E-commerce revenues decreased by 11%, to \$337.7 million in the nine months ended September 30, 2023, compared to the same period in 2022. Foreign currency fluctuations did not have a significant impact on the Company's E-commerce revenues in the nine months ended September 30, 2023. The decline in our E-commerce revenues was driven by weakness in new customer acquisition, partially offset by revenues generated from our acquisition of Pond5, which was completed on May 11, 2022.

The Company's Enterprise revenues increased by 38%, to \$319.7 million in the nine months ended September 30, 2023, compared to the same period in 2022. Foreign currency fluctuations did not have a significant impact on the Company's Enterprise revenues in the nine months ended September 30, 2023. The increase in Enterprise revenues was primarily driven by (i) growth in our computer vision data partnerships, which generated \$79.5 million and \$4.4 million of revenue in the nine months ended September 30, 2023 and 2022, respectively; and (ii) revenue generated from our acquisitions of Pond5 and Splash News, which were completed on May 11, 2022 and May 28, 2022, respectively.

In the nine months ended September 30, 2023 and 2022, we delivered 117.6 million and 130.8 million paid downloads, respectively, and our revenue per download was \$4.63 and \$4.37 for the nine months ended September 30, 2023 and 2022, respectively. During the nine months ended September 30, 2023, the decline in paid downloads is attributed to the decline in the E-commerce business.

Changes in our revenue by region were as follows: revenue from North America increased by \$63.8 million, or 25%, to \$318.7 million, revenue from Europe decreased by \$8.8 million, or 5%, to \$174.0 million and revenue from outside Europe and North America decreased by \$7.7 million, to \$164.7 million, in the nine months ended September 30, 2023 compared to the same period in 2022.

## Costs and Expenses

**Cost of Revenue.** Cost of revenue increased by \$30.4 million, or 13%, to \$256.8 million in the nine months ended September 30, 2023 compared to the same period in 2022. This increase was primarily driven by: (i) increased depreciation and amortization expense driven by our recent acquisitions; (ii) increased royalty, content and reviewer costs; (iii) higher costs associated with website hosting, hardware and software licenses; and (iv) Giphy employee-related costs comprised of \$2.5 million of recurring Giphy Retention Compensation and \$3.6 million of non-recurring Giphy Retention Compensation not considered necessary to operate our business. We expect that our cost of revenue will continue to fluctuate in line with changes in revenue.

**Sales and Marketing.** Sales and marketing expenses decreased by \$3.3 million, or 2%, to \$152.1 million in the nine months ended September 30, 2023 compared to the same period in 2022. As a percent of revenue, sales and marketing expenses decreased to 23% for the nine months ended September 30, 2023, from 25% for the same period in 2022. This was primarily driven by (i) \$13.4 million in decreased performance marketing spend and (ii) \$0.9 million in lower occupancy costs. These decreases were partially offset by (i) \$5.5 million in higher employee-related costs and sales commissions, (ii) \$1.1 million in higher non-cash equity-based compensation expense; and (iii) Giphy employee-related costs comprised of \$0.6 million of recurring Giphy Retention Compensation and \$0.8 million of non-recurring Giphy Retention Compensation not considered necessary to operate our business. For the nine months ended September 30, 2023, sales and marketing expenses included \$1.2 million in severance costs associated with strategic workforce optimizations. We expect sales and marketing expenses to continue to fluctuate as we optimize our sales channels and invest in new customer acquisition, products and geographies.

**Product Development.** Product development expenses increased by \$24.4 million, or 50%, to \$72.7 million in the nine months ended September 30, 2023 as compared to the same period in 2022. This increase in product development was primarily driven by (i) Giphy employee-related costs comprised of \$2.8 million of recurring Giphy Retention Compensation, net of capitalized labor and \$16.7 million of non-recurring Giphy Retention Compensation not considered necessary to operate our business, (ii) \$2.9 million in higher non-cash equity-based compensation expense for the nine months ended September 30, 2023 compared to the same period in 2022, and (iii) \$1.5 million of severance costs associated with strategic workforce optimizations. We expect product development expenses, of which a portion will be capitalized, to continue in the foreseeable future, as we pursue opportunities to invest in developing new products and internal tools and enhance the functionality of our existing products and technologies.

**General and Administrative.** General and administrative expenses increased by \$15.4 million, or 16%, to \$109.5 million in the nine months ended September 30, 2023 compared to the same period in 2022. This increase was driven by (i) \$8.4 million in higher non-cash equity-based compensation expense for the nine months ended September 30, 2023 compared to the same period in 2022; (ii) Giphy employee-related costs comprised of \$1.0 million of recurring Giphy Retention Compensation, net of capitalized labor and \$4.3 million of non-recurring Giphy Retention Compensation not considered necessary to operate our business, and (iii) \$3.9 million of severance costs associated with strategic workforce optimizations. These increases are partially offset by \$1.1 million in lower occupancy costs and \$0.9 million in lower professional fees. For the nine months ended September 30, 2023 and 2022, general and administrative expenses included \$3.0 million and \$3.9 million in transaction costs related to the Giphy and Pond5 acquisitions, respectively.

**Bargain Purchase Gain.** In the nine months ended September 30, 2023, we recognized a bargain purchase gain of \$51.8 million related to the acquisition of Giphy, which represents the excess of the fair value of the net assets acquired in addition to the net negative purchase price.

**Other Income / (Expense), Net.** During the nine months ended September 30, 2023, other income, net substantially consisted of \$2.7 million of interest income and \$0.9 million of favorable unrealized foreign currency fluctuations, partially offset by \$1.3 million of interest expense related to our credit facility. During the nine months ended September 30, 2022 other expense, net consisted of \$2.9 million unfavorable unrealized foreign currency fluctuations. As we increase the volume of business transacted in foreign currencies resulting from international expansion and as currency rates fluctuate, we expect foreign currency gains and losses to continue to fluctuate.

**Income Taxes.** Income tax expense decreased by \$4.3 million for the nine months ended September 30, 2023 as compared to the same period in 2022. Our effective tax rates for the nine months ended September 30, 2023 and 2022 were 7.6% and 16.3%, respectively.

For the nine months ended September 30, 2023, the net effect of discrete items decreased the effective tax rate by 8.9%. The discrete items for the nine months ended September 30, 2023, primarily relate to the non-taxable bargain purchase gain associated with the acquisition of Giphy and the effect of the U.S. Research and Development (“R&D”) tax credit claimed on the Company’s 2022 tax return, which was substantially completed in the third quarter of 2023. Excluding discrete items, our effective tax rate would have been 16.5% for the nine months ended September 30, 2023.



For the nine months ended September 30, 2022, the effective tax rate decreased by 2.5% related primarily to windfall tax benefits associated with equity-based compensation, as well as the effect of the R&D tax credit and the FDII deduction claimed on the Company's 2021 tax return, which was substantially completed in the third quarter of 2022. Excluding discrete items, our effective tax rate would have been 18.8% for the nine months ended September 30, 2022.

As we continue to expand our operations outside of the United States, we have been and may continue to become subject to taxation in additional non-U.S. jurisdictions, and our effective tax rate could fluctuate accordingly.

### **Quarterly Trends**

Our operating results may fluctuate from quarter to quarter as a result of a variety of factors, including the effects of some seasonal trends in customer behavior, timing of acquisitions and the timing of revenue recognition associated with computer vision data partnerships. For example, we expect that certain customers' usage may decrease at times during the third quarter of each calendar year due to the summer vacation season and may increase at times during the fourth quarter of each calendar year as demand is generally higher to support marketing campaigns in advance of the fourth quarter holiday season. While we believe seasonal trends have affected and will continue to affect our quarterly results, our growth trajectory may have overshadowed these effects to date.

In addition, expenditures on content by customers tend to be discretionary in nature, reflecting overall economic conditions, the economic prospects of specific industries, budgeting constraints, buying patterns and a variety of other factors, many of which are outside our control. As a result of these and other factors, the results of any prior quarterly or annual periods should not be relied upon as indicators of our future operating performance.

### **Liquidity and Capital Resources**

As of September 30, 2023, we had cash and cash equivalents totaling \$75.2 million which consisted primarily of bank balances. Since inception, we have financed our operations primarily through cash flows generated from operations. In addition, if necessary, we have the ability to draw on our credit facility, which was obtained on May 6, 2022.

Historically, our principal uses of cash have included funding our operations, capital expenditures, content acquisitions, business combinations and asset acquisitions that enhance our strategic position, cash dividend payments and share purchases under our share repurchase programs. We plan to finance our operations, capital expenditures and corporate actions largely through cash generated by our operations and our credit facility. Since our results of operations are sensitive to the level of competition we face, increased competition could adversely affect our liquidity and capital resources.

#### *Dividends*

We declared and paid cash dividends of \$0.81 per share of common stock, or \$29.0 million during the nine months ended September 30, 2023.

On October 23, 2023, our Board of Directors declared a quarterly cash dividend of \$0.27 per share of outstanding common stock payable on December 14, 2023 to stockholders of record at the close of business on November 30, 2023. Future declarations of dividends are subject to the final determination of our Board of Directors, and will depend on, among other things, our future financial condition, results of operations, capital requirements, capital expenditure requirements, contractual restrictions, anticipated cash needs, business prospects, provisions of applicable law and other factors our Board of Directors may deem relevant.

#### *Share Repurchase Program*

In October 2015, our Board of Directors approved a share repurchase program (the "2015 Share Repurchase Program"), authorizing us to repurchase up to \$100 million of our common stock and, in February 2017, our Board of Directors approved an increase to the share repurchase program, authorizing us to repurchase up to an additional \$100 million of our outstanding common stock. As of December 31, 2022, we have fully utilized our authorization for repurchases under the 2015 Share Repurchase Program.

In June 2023, our Board of Directors approved a share repurchase program (the "2023 Share Repurchase Program"), providing authorization to repurchase up to \$100 million of our common stock.

We expect to fund future repurchases, if any, through a combination of cash on hand, cash generated by operations and future financing transactions, if appropriate. Accordingly, our share repurchase program is subject to us having available cash to fund repurchases. Under the share repurchase program, management is authorized to purchase shares of our common stock from time to time through open market purchases or privately negotiated transactions at prevailing prices as permitted by securities laws and other legal requirements, and subject to market conditions and other factors.

During the nine months ended September 30, 2023, we repurchased approximately 431,400 shares of our common stock at an average cost of \$44.06. As of September 30, 2023, we had \$81 million of remaining authorization for repurchases under the 2023 Share Repurchase Program.

#### *Revolving Credit Facility*

On May 6, 2022, we entered into a five-year \$100 million unsecured revolving loan facility (the “Credit Facility”) with Bank of America, N.A., as Administrative Agent and other lenders. The Credit Facility includes a letter of credit sub-facility and a swingline facility and it also permits, subject to the satisfaction of certain conditions, up to \$100 million of additional revolving loan commitments with the consent of the Administrative Agent.

At our option, revolving loans accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.125% to 0.500%, determined based on the Company’s consolidated leverage ratio or (ii) the Term Secured Overnight Financing Rate (“SOFR”) (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.125% to 1.5%, determined based on our consolidated leverage ratio. We are also required to pay an unused commitment fee ranging from 0.150% to 0.225%, determined based on the Company’s consolidated leverage ratio. In connection with the execution of this agreement, we paid debt issuance costs of approximately \$0.6 million.

As of September 30, 2023 and December 31, 2022, we had \$30 million and \$50 million, respectively, of outstanding borrowings under the Credit Facility. As of September 30, 2023, we had a remaining borrowing capacity of \$67 million, net of standby letters of credit. For the three and nine months ended September 30, 2023, cash interest paid was not significant.

The Credit Facility contains financial covenants and requirements restricting certain of our activities, which are usual and customary for this type of loan. We are also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio, in each case, determined in accordance with the terms of the Credit Facility. As of September 30, 2023, we are in compliance with these covenants.

#### *Sources and Uses of Funds*

We believe, based on our current operating plan, that our cash and cash equivalents, and cash from operations, will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our longer-term liquidity is contingent upon future operating performance. Future capital expenditures will generally relate to building enhancements to the functionality of our current platform, the acquisition of additional storage, servers, network connectivity hardware, security apparatus and software, leasehold improvements and furniture and fixtures related to office expansion and relocation, content and general corporate infrastructure.

As of September 30, 2023, we had approximately \$76 million in unconditional cash obligations, consisting primarily of purchase obligations related to contracts for cloud-based services, infrastructure and other business services as well as minimum royalty guarantees in connection with certain content licenses, of which the majority is due to be paid within the next two years. In addition, as of September 30, 2023, we had approximately \$48 million in operating lease obligations with lease payments extending through 2029.

See Note 14 to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding our existing capital commitments as of September 30, 2023.

#### *Cash Flows*

The following table summarizes our cash flow data for the nine months ended September 30, 2023 and 2022 (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Net cash provided by operating activities	\$ 106,603	\$ 97,289
Net cash used in investing activities	\$ (61,915)	\$ (257,905)
Net cash used in financing activities	\$ (83,234)	\$ (70,277)

#### *Operating Activities*

Our primary source of cash from operating activities is cash collections from our customers. The majority of our revenue is generated from credit card transactions and is typically settled within one to five business days. Our primary uses of cash for operating activities are for the payment of royalties to content contributors, employee-related expenditures and the payment of other operating expenses incurred in the ordinary course of business.

Net cash provided by operating activities was \$106.6 million for the nine months ended September 30, 2023, compared to \$97.3 million for the nine months ended September 30, 2022. In the nine months ended September 30, 2023, operating cash

flows were favorably impacted from changes in the timing of cash collections from our computer vision customers and payments pertaining to operating expenses, which can cause operating cash flow to fluctuate from period to period.

In addition, operating cash flows for the nine months ended September 30, 2023 were unfavorably impacted by the recurring and non-recurring payments made to the Giphy workforce, the reimbursement of which is reflected in Investing Activities on the Statement of Cash Flows. Operating cash flows for the nine months ended September 30, 2022 were unfavorably impacted by several large accounts payables and accrued expense items from 2021 that were paid in 2022.

#### *Investing Activities*

Cash used in investing activities for the nine months ended September 30, 2023 was \$61.9 million, consisting primarily of (i) \$53.7 million used in the acquisition of Giphy, net of cash acquired, (ii) capital expenditures of \$34.7 million for internal-use software and website development costs and purchases of software and equipment, and (iii) \$9.7 million paid to acquire the rights to distribute certain digital content into perpetuity. These cash outflows were partially offset by (i) \$34.7 million of Giphy Retention Compensation, as reimbursed by the Giphy seller.

Cash used in investing activities in the nine months ended September 30, 2022 was \$257.9 million, consisting primarily of (i) \$211.8 million used in the acquisitions of Pond5 and Splash News, net of cash acquired, (ii) capital expenditures of \$32.9 million for internal-use software and website development costs and purchases of software and equipment, and (iii) \$11.2 million paid to acquire the rights to distribute certain digital content in perpetuity.

#### *Financing Activities*

Cash used in financing activities in the nine months ended September 30, 2023 was \$83.2 million, consisting of (i) \$50.0 million used for the repayment of our Credit Facility; (ii) \$29.0 million, related to the payment of the quarterly cash dividend, (iii) \$19.0 million used in connection with the repurchase of common stock under our 2023 Share Repurchase Program and (iv) \$15.2 million paid in settlement of tax withholding obligations related to employee stock-based compensation awards. These amounts were partially offset by \$30.0 million proceeds received from our Credit Facility.

Cash used in financing activities in the nine months ended September 30, 2022 was \$70.3 million, consisting of (i) \$73.5 million in connection with the repurchase of common stock under our share repurchase program; (ii) \$26.0 million related to the payment of the quarterly cash dividend; and (iii) \$22.0 million paid in settlement of tax withholding obligations related to employee stock-based compensation awards. These amounts were partially offset by \$50.0 million proceeds received from our Credit Facility.

#### **Non-GAAP Financial Measures**

To supplement our consolidated financial statements presented in accordance with the accounting principles generally accepted in the United States, or GAAP, our management considers certain financial measures that are not prepared in accordance with GAAP, collectively referred to as non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted net income per diluted common share, revenue growth (including by distribution channel) on a constant currency basis (expressed as a percentage), and free cash flow. These non-GAAP financial measures are included solely to provide investors with additional information regarding our financial results and are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly-titled measures presented by other companies.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-GAAP Financial Measures (in thousands):				
Adjusted EBITDA	\$ 64,690	\$ 56,033	\$ 194,509	\$ 159,769
Adjusted net income	\$ 45,549	\$ 36,166	\$ 131,741	\$ 103,622
Free cash flow	\$ 12,651	\$ 21,398	\$ 96,870	\$ 53,176
Revenue growth on a constant currency basis	12 %	10 %	7 %	11 %

These non-GAAP financial measures have not been calculated in accordance with GAAP, should be considered only in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP measures. In addition, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted net income per diluted common share, revenue growth (including by distribution channel) on a constant currency basis (expressed as a percentage) and free cash flow should not be construed as indicators of our operating performance, liquidity or cash flows generated by

operating, investing and financing activities, as there may be significant factors or trends that they fail to address. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

Our management uses these non-GAAP financial measures, in conjunction with GAAP financial measures, as an integral part of managing the business and to, among other things: (i) monitor and evaluate the performance of our business operations, financial performance and overall liquidity; (ii) facilitate management's internal comparisons of the historical operating performance of its business operations; (iii) facilitate management's external comparisons of the results of its overall business to the historical operating performance of other companies that may have different capital structures and debt levels; (iv) review and assess the operating performance of our management team and, together with other operational objectives, as a measure in evaluating employee compensation and bonuses; (v) analyze and evaluate financial and strategic planning decisions regarding future operating investments; and (vi) plan for and prepare future annual operating budgets and determine appropriate levels of operating investments.

Management believes that adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted net income per diluted common share, revenue growth (including by distribution channel) on a constant currency basis (expressed as a percentage) and free cash flow are useful to investors because these measures enable investors to analyze our operating results on the same basis as that used by management. Additionally, management believes that adjusted EBITDA, adjusted EBITDA margin, adjusted net income and adjusted net income per diluted common share provide useful information to investors about the performance of the Company's overall business because such measures eliminate the effects of unusual or other infrequent charges that are not directly attributable to our underlying operating performance. Management believes that revenue growth (including by distribution channel) on a constant currency basis (expressed as a percentage) provides useful information to investors by eliminating the effect of foreign currency fluctuations that are not directly attributable to our operating performance. Management also believes that providing these non-GAAP financial measures enhances the comparability for investors in assessing our financial reporting. Management believes that free cash flow is useful for investors because it provides them with an important perspective on the cash available for strategic measures, after making necessary capital investments in property and equipment to support the Company's ongoing business operations and provides them with the same measures that management uses as the basis for making resource allocation decisions.

Our use of non-GAAP financial measures has limitations as an analytical tool, and these measures should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP, as the excluded items may have significant effects on our operating results and financial condition. Additionally, our methods for measuring non-GAAP financial measures may differ from other companies' similarly titled measures. When evaluating our performance, these non-GAAP financial measures should be considered in addition to other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

Our method for calculating adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted net income per diluted common share, revenue growth (including by distribution channel) on a constant currency basis (expressed as a percentage) and free cash flow, as well as a reconciliation of the differences between adjusted EBITDA, adjusted net income, revenue growth (including by distribution channel) on a constant currency basis (expressed as a percentage) and free cash flow, and the most comparable financial measures calculated and presented in accordance with GAAP, are presented below.

The expense associated with the Giphy Retention Compensation related to (i) the one-time employment inducement bonuses and (ii) the vesting of the cash value of unvested Meta equity awards held by the employees prior to closing, which are reflected in operating expenses (together, the "Giphy Retention Compensation Expense - non-recurring"), are required payments in accordance with the terms of the acquisition. Meta's sale of Giphy was directed by the CMA and accordingly, the terms of the acquisition were subject to CMA preapproval. Management considers the operating expense associated with these required payments to be unusual and non-recurring in nature. The Giphy Retention Compensation Expense - non-recurring is not considered ongoing expense necessary to operate the Company's business. Therefore, such expenses have been included in the below adjustments for calculating adjusted EBITDA, adjusted EBITDA margin, adjusted net income and adjusted net income per diluted common share. For the three and nine months ended September 30, 2023, the Company also incurred \$6.5 million and \$7.0 million, respectively, of Giphy Retention Compensation expense related to recurring employee costs, which is included in operating expenses, and are not included in the below adjustments for calculating adjusted EBITDA, adjusted EBITDA margin, adjusted net income and adjusted net income per diluted common share.

### Adjusted EBITDA and Adjusted EBITDA Margin

We define adjusted EBITDA as net income adjusted for depreciation and amortization, non-cash equity-based compensation, bargain purchase gain related to the acquisition of Giphy, Giphy Retention Compensation Expense - non-recurring, foreign currency transaction gains and losses, severance costs associated with strategic workforce optimizations, interest income and expense and income taxes. We define adjusted EBITDA margin as the ratio of adjusted EBITDA to revenue.

The following is a reconciliation of net income to adjusted EBITDA for each of the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 28,419	\$ 23,040	\$ 111,275	\$ 69,057
Add / (less) Non-GAAP adjustments:				
Depreciation and amortization	21,271	18,259	59,373	49,834
Non-cash equity-based compensation	13,003	9,088	36,589	23,958
Bargain purchase gain	(9,864)	—	(51,804)	—
Giphy Retention Compensation Expense - non-recurring	8,198	—	25,389	—
Other adjustments, net <sup>(1)</sup>	4,469	1,547	4,554	3,449
(Benefit) / Provision for income taxes	(806)	4,099	9,133	13,471
Adjusted EBITDA	\$ 64,690	\$ 56,033	\$ 194,509	\$ 159,769
Adjusted EBITDA margin	27.7 %	27.5 %	29.6 %	26.2 %

(1) Other adjustments, net includes unrealized foreign currency transaction gains and losses, severance associated with strategic workforce optimizations and interest income and expense.

### Adjusted Net Income and Adjusted Net Income Per Diluted Common Share

We define adjusted net income as net income adjusted for the impact of non-cash equity-based compensation, the amortization of acquisition-related intangible assets, bargain purchase gain related to the acquisition of Giphy, Giphy Retention Compensation Expense - non-recurring, severance costs associated with strategic workforce optimizations and the estimated tax impact of such adjustments. We define adjusted net income per diluted common share as adjusted net income divided by weighted average diluted shares.

The following is a reconciliation of net income to adjusted net income for each of the periods indicated (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Net income	\$ 28,419	\$ 23,040	\$ 111,275	\$ 69,057
Add / (less) Non-GAAP adjustments:				
Non-cash equity-based compensation	13,003	9,088	36,589	23,958
Tax effect of non-cash equity-based compensation <sup>(1)</sup>	(3,056)	(2,135)	(8,599)	(5,629)
Acquisition-related amortization expense	9,052	8,069	25,580	21,224
Tax effect of acquisition-related amortization expense <sup>(1)</sup>	(2,127)	(1,896)	(6,011)	(4,988)
Bargain purchase gain	(9,864)	—	(51,804)	—
Giphy Retention Compensation Expense - non-recurring	8,198	—	25,389	—
Tax effect of Giphy Retention Compensation Expense - non-recurring	(1,927)	—	(5,967)	—
Other	4,969	—	6,825	—
Tax effect of other <sup>(1)</sup>	(1,118)	—	(1,536)	—
Adjusted net income	\$ 45,549	\$ 36,166	\$ 131,741	\$ 103,622
Net income per diluted share	\$ 0.79	\$ 0.64	\$ 3.06	\$ 1.88
Adjusted net income per diluted common share	\$ 1.26	\$ 1.00	\$ 3.62	\$ 2.82
Weighted average diluted shares	36,081	36,269	36,352	36,681

(1) Statutory tax rates are used to calculate the tax effect of the adjustments.

### Revenue Growth (including by distribution channel) on a Constant Currency Basis

We define revenue growth (including by distribution channel) on a constant currency basis (expressed as a percentage) as the increase in current period revenues over prior period revenues, utilizing fixed exchange rates for translating foreign currency revenues for all periods in the comparison.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Reported revenue (in thousands)	\$ 233,248	\$ 204,096	\$ 657,368	\$ 610,100
Revenue growth	14 %	5 %	8 %	7 %
Revenue growth on a constant currency basis	12 %	10 %	7 %	11 %
E-commerce reported revenue (in thousands)	\$ 106,037	\$ 124,594	\$ 337,694	\$ 379,052
E-commerce revenue growth	(15)%	2 %	(11)%	5 %
E-commerce revenue growth on a constant currency basis	(16)%	6 %	(11)%	8 %
Enterprise reported revenue (in thousands)	\$ 127,211	\$ 79,502	\$ 319,674	\$ 231,048
Enterprise revenue growth	60 %	9 %	38 %	12 %
Enterprise revenue growth on a constant currency basis	57 %	15 %	38 %	16 %

*Free Cash Flow*

We define free cash flow as our cash provided by operating activities, adjusted for capital expenditures, content acquisition and cash received related to Giphy Retention Compensation in connection with the acquisition of Giphy.

The following is a reconciliation of net cash provided by operating activities to free cash flow for each of the periods indicated (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net cash provided by operating activities	\$ 10,014	\$ 37,715	\$ 106,603	\$ 97,289
Capital expenditures	(11,845)	(12,125)	(34,715)	(32,922)
Content acquisitions	(4,473)	(4,192)	(9,725)	(11,191)
Cash received related to Giphy Retention Compensation	18,955	—	34,707	—
<b>Free Cash Flow</b>	<b>\$ 12,651</b>	<b>\$ 21,398</b>	<b>\$ 96,870</b>	<b>\$ 53,176</b>

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business, including risks related to foreign currency exchange rate fluctuation, interest rate fluctuation and inflation.

#### Foreign Currency Exchange Risk

Our sales to international customers are denominated in multiple currencies, including but not limited to the U.S. dollar, the euro, the British pound, the Australian dollar and the Japanese yen. Revenue denominated in foreign currencies as a percentage of total revenue was approximately 29% and 33% for the nine months ended September 30, 2023 and 2022, respectively. Changes in exchange rates will affect our revenue and certain operating expenses to the extent that our revenue is generated and expenses are incurred in currencies other than the U.S. dollar. Royalties earned by and paid to contributors are denominated in the U.S. dollar and will not be affected by changes in exchange rates. Based on our foreign currency denominated revenue for the nine months ended September 30, 2023, we estimate that a 10% change in the exchange rate of the U.S. dollar against all foreign currency denominated revenues would result in an approximately 3% impact on our revenue.

We have established foreign subsidiaries in various countries and have concluded that the functional currency of these entities is generally the local currency. Business transacted in currencies other than each entity's functional currency results in transactional gains and losses. Translation adjustments resulting from converting the foreign subsidiaries' financial statements into U.S. dollars are recorded as a component of accumulated other comprehensive loss in stockholders' equity. We do not currently enter into derivatives or other financial instruments in order to hedge our foreign currency exchange risk, but we may do so in the future.

Our historical revenue by currency is as follows (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency
Euro	\$ 33,186	€ 29,985	\$ 33,993	€ 32,868	\$ 104,563	€ 95,986	\$ 111,635	€ 102,626
British pounds	14,306	£ 11,321	14,606	£ 12,140	42,704	£ 34,061	42,826	£ 33,654
All other non-U.S. currencies <sup>(1)</sup>	13,011		14,788		41,382		44,069	
Total foreign currency	60,503		63,387		188,649		198,530	
U.S. dollar	172,745		140,709		468,719		411,570	
Total revenue	\$ 233,248		\$ 204,096		\$ 657,368		\$ 610,100	

(1) Includes no single currency which exceeded 5% of total revenue for any of the periods presented.

#### Interest Rate Fluctuation Risk

Our cash and cash equivalents consist of cash and money market accounts. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. The fair value of our cash and cash equivalents is not particularly sensitive to interest rate changes.

Amounts borrowed under our Credit Facility accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.125% to 0.500%, determined based on our consolidated leverage ratio or (ii) the Term Secured Overnight Financing Rate (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.125% to 1.5%, determined based on our consolidated leverage ratio. A hypothetical 10% change in interest rates would not have a material impact on our interest expense as of September 30, 2023.

#### Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.



**Item 4. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. However, any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objective.

Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

***Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

Although we are not currently a party to any material active litigation, from time to time, third parties assert claims against us regarding intellectual property rights, employment matters, privacy issues and other matters arising during the ordinary course of business. Although we cannot be certain of the outcome of any litigation or the disposition of any claims, nor the amount of damages and exposure, if any, that we could incur, we currently believe that the final disposition of all existing matters will not have a material adverse effect on our business, results of operations, financial condition or cash flows. In addition, in the ordinary course of our business, we are also subject to periodic threats of lawsuits, investigations and claims. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

**Item 1A. Risk Factors.**

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2022 Form 10-K, which could materially affect our business, financial condition or future results. During the three months ended September 30, 2023, there were no material changes to these risk factors as described in our 2022 Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

(c)

**ISSUER PURCHASES OF EQUITY SECURITIES**

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
July 1 - 31, 2023	—	\$ —	—	—
August 1 - 31, 2023	350,988	42.75	15,003,449	—
September 1 - 30, 2023	—	—	—	—
	<u>350,988</u>	<u>\$ 42.75</u>	<u>15,003,449</u>	<u>\$ 80,995,785</u>

(1) We purchased shares of our common stock in open market purchases pursuant to share repurchases authorized by our Board of Directors. In June 2023, our Board of Directors authorized the repurchase of up to \$100 million of our common stock. As of September 30, 2023, \$81.0 million remained available for purchase under this authorization.

**Item 5. Other Information.**

(c) Insider Trading Arrangements

In August 2023, John Caine, our Chief Product and Digital Officer, entered into a prearranged stock trading plan. Mr. Caine's plan includes the potential sale of up to 8,600 shares of our common stock in February 2024. The shares of common stock that may be sold pursuant to Mr. Caine's plan, are shares to be issued upon the vesting of restricted stock units and include shares that will be automatically sold to cover mandatory tax withholding obligations.

Mr. Caine's trading plan was entered into during an open trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act and our policies regarding insider transactions.

**Item 6. Exhibits.**

See the Exhibit Index, which immediately precedes the signature page of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
31.1#	<a href="#">Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2#	<a href="#">Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32#	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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# Filed herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SHUTTERSTOCK, INC.**

Dated: October 31, 2023

By: /s/ Jarrod Yahes  
Jarrod Yahes  
*Chief Financial Officer*  
*(Principal Financial Officer)*

Dated: October 31, 2023

By: /s/ Steven Ciardiello  
Steven Ciardiello  
*Chief Accounting Officer*  
*(Principal Accounting Officer)*

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul Hennessy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shutterstock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2023

By: /s/ Paul Hennessy  
Paul Hennessy  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jarrod Yahes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shutterstock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2023

By: /s/ Jarrod Yahes

Jarrod Yahes  
Chief Financial Officer  
*(Principal Financial Officer)*

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Shutterstock, Inc., for the quarterly period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Hennessy, as Chief Executive Officer of Shutterstock, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shutterstock, Inc.

Date: October 31, 2023

By: /s/ Paul Hennessy  
Paul Hennessy  
Chief Executive Officer  
(Principal Executive Officer)

In connection with the Quarterly Report on Form 10-Q of Shutterstock, Inc., for the quarterly period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jarrod Yahes, as Chief Financial Officer of Shutterstock, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shutterstock, Inc.

Date: October 31, 2023

By: /s/ Jarrod Yahes  
Jarrod Yahes  
Chief Financial Officer  
(Principal Financial Officer)