UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(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, 2022

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

SHUTTERSTOCK, INC.

(Exact name of registrant as specified in its charter)

Delaware	**80-0812659**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

350 Fifth Avenue, 21st 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)

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 21, 2022, 35,815,050 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

Shutterstock, Inc.
FORM 10-Q
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For the Quarterly Period Ended September 30, 2022

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, those 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 10, 2022 (our "2021 Form 10-K"), under the caption "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, which was filed with the SEC on July 26, 2022, and in our consolidated financial statements, related notes, and the other information appearing elsewhere in the 2021 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," "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, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 76,244	$ 314,017
Accounts receivable, net of allowance of $3,498 and $1,910	52,713	47,707
Prepaid expenses and other current assets	32,095	26,491
Total current assets	161,052	388,215
Property and equipment, net	55,141	48,074
Right-of-use assets	32,946	34,570
Intangible assets, net	172,916	123,822
Goodwill	379,505	219,816
Deferred tax assets, net	12,391	10,512
Other assets	26,229	26,701
Total assets	$ 840,180	$ 851,710
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,467	$ 10,092
Accrued expenses	80,699	99,529
Contributor royalties payable	35,974	29,004
Deferred revenue	174,384	180,979
Debt	50,000	—
Other current liabilities	12,549	14,180
Total current liabilities	360,073	333,784
Deferred tax liability, net	3,495	2,781
Lease liabilities	35,871	36,966
Other non-current liabilities	10,158	9,697
Total liabilities	409,597	383,228
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 39,585 and 39,209 shares issued and 35,809 and 36,417 shares outstanding as of September 30, 2022 and December 31, 2021, respectively	396	392
Treasury stock, at cost; 3,776 and 2,792 shares as of September 30, 2022 and December 31, 2021, respectively	(200,008)	(127,196)
Additional paid-in capital	380,325	376,537
Accumulated comprehensive loss	(22,720)	(10,788)
Retained earnings	272,590	229,537
Total stockholders' equity	430,583	468,482
Total liabilities and stockholders' equity	$ 840,180	$ 851,710

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,	
	2022	**2021**	**2022**	**2021**
Revenue	$ 204,096	$ 194,439	$ 610,100	$ 567,632
Operating expenses:				
Cost of revenue	79,911	69,634	226,381	199,223
Sales and marketing	47,777	54,456	155,335	142,273
Product development	17,534	13,565	48,322	36,289
General and administrative	30,189	34,615	94,085	96,335
Total operating expenses	175,411	172,270	524,123	474,120
Income from operations	28,685	22,169	85,977	93,512
Other expense, net	(1,546)	(1,749)	(3,449)	(2,888)
Income before income taxes	27,139	20,420	82,528	90,624
Provision for income taxes	4,099	4,391	13,471	15,627
Net income	$ 23,040	$ 16,029	$ 69,057	$ 74,997
Earnings per share:				
Basic	$ 0.64	$ 0.44	$ 1.91	$ 2.05
Diluted	$ 0.64	$ 0.43	$ 1.88	$ 2.01
Weighted average common shares outstanding:				
Basic	35,929	36,622	36,117	36,510
Diluted	36,269	37,417	36,681	37,285

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,	
	2022	2021	2022	2021
Net income	$ 23,040	$ 16,029	$ 69,057	$ 74,997
Foreign currency translation loss	(6,101)	(1,842)	(11,932)	(1,552)
Other comprehensive loss	(6,101)	(1,842)	(11,932)	(1,552)
Comprehensive income	$ 16,939	$ 14,187	$ 57,125	$ 73,445

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 Income / (Loss)	Retained Earnings	Total
Three Months Ended September 30, 2022	Shares	Amount	Shares	Amount				
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
Three Months Ended September 30, 2021								
Balance at June 30, 2021	39,173	$ 392	2,558	$ (100,027)	$ 360,404	$ (7,391)	$ 211,956	$ 465,334
Equity-based compensation	—	—	—	—	8,743	—	—	8,743
Issuance of common stock in connection with employee stock option exercises and RSU vesting	28	—	—	—	217	—	—	217
Repurchase of treasury shares	—	—	42	(4,858)	—	—	—	(4,858)
Common shares withheld for settlement of taxes in connection with equity-based compensation	(10)	—	—	—	(1,044)	—	—	(1,044)
Cash dividends paid	—	—	—	—	—	—	(7,683)	(7,683)
Other comprehensive loss	—	—	—	—	—	(1,842)	—	(1,842)
Net income	—	—	—	—	—	—	16,029	16,029
Balance at September 30, 2021	39,191	$ 392	2,600	$ (104,885)	$ 368,320	$ (9,233)	$ 220,302	$ 474,896
Nine Months Ended September 30, 2022								
Balance at December 31, 2021	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
Nine Months Ended September 30, 2021								
Balance at December 31, 2020	38,803	$ 389	2,558	$ (100,027)	$ 360,939	$ (7,681)	$ 168,305	$ 421,925
Equity-based compensation	—	—	—	—	26,639	—	—	26,639
Issuance of common stock in connection with employee stock option exercises and RSU vesting	629	6	—	—	2,012	—	—	2,018
Common shares withheld for settlement of taxes in connection with equity-based compensation	(241)	(3)	—	—	(21,270)	—	—	(21,273)
Repurchase of treasury shares	—	—	42	(4,858)	—	—	—	(4,858)
Cash dividends paid	—	—	—	—	—	—	(23,000)	(23,000)
Other comprehensive loss	—	—	—	—	—	(1,552)	—	(1,552)
Net income	—	—	—	—	—	—	74,997	74,997
Balance at September 30, 2021	39,191	$ 392	2,600	$ (104,885)	$ 368,320	$ (9,233)	$ 220,302	$ 474,896

See Notes to Unaudited Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 69,057	$ 74,997
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,834	33,731
Deferred taxes	(6,874)	420
Non-cash equity-based compensation	23,958	26,639
Bad debt expense	993	182
Changes in operating assets and liabilities:		
Accounts receivable	(5,541)	(1,628)
Prepaid expenses and other current and non-current assets	(3,157)	(11,469)
Accounts payable and other current and non-current liabilities	(32,927)	24,639
Contributor royalties payable	5,236	1,200
Deferred revenue	(3,290)	13,147
Net cash provided by operating activities	$ 97,289	$ 161,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(32,922)	(21,167)
Business combination, net of cash acquired	(211,843)	(181,772)
Asset acquisitions	(1,667)	(31,440)
Acquisition of content	(11,191)	(7,890)
Security deposit payment	(282)	(138)
Net cash used in investing activities	$ (257,905)	$ (242,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of treasury shares	(73,488)	(4,171)
Proceeds from exercise of stock options	1,810	2,018
Cash paid related to settlement of employee taxes related to RSU vesting	(21,976)	(21,273)
Payment of cash dividend	(26,004)	(23,000)
Proceeds from credit facility	50,000	—
Payment of debt issuance costs	(619)	—
Net cash used in financing activities	$ (70,277)	$ (46,426)
Effect of foreign exchange rate changes on cash	(6,880)	(1,020)
Net decrease in cash and cash equivalents	(237,773)	(127,995)
Cash and cash equivalents, beginning of period	314,017	428,574
Cash and cash equivalents, end of period	$ 76,244	$ 300,579
Supplemental Disclosure of Cash Information:		
Cash paid for income taxes	$ 19,476	$ 14,811
Cash paid for interest	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 the leading global creative platform for transformative brands and media companies. 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.

The Company's key 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. This offering became available upon the Company's acquisition of TurboSquid, Inc. on February 1, 2021.
- Creative Design Software - consisting of the Company's online graphic design and image editing platform. This offering became available after the Company completed the acquisition of substantially all of the assets and assumption of certain liabilities from PicMonkey, LLC ("PicMonkey") on September 3, 2021.

On May 11, 2022, the Company completed its acquisition of Pond5, Inc. ("Pond5"), a video-first content marketplace which expands Shutterstock's content offerings across footage, image and music. On May 28, 2022, Shutterstock acquired SCP 2020 Limited ("Splash News"), an entertainment news network for newsrooms and media companies, which offers image and video content across celebrity, red carpet and live events.

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, 2022, and the Consolidated Statements of Operations, Comprehensive Income and Stockholders' Equity for the three and nine months ended September 30, 2022 and 2021, and the Consolidated Statements of Cash Flows for the nine months ended September 30, 2022 and 2021, are unaudited. The Consolidated Balance Sheet as of December 31, 2021, 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, 2022, and its consolidated results of operations, comprehensive income, stockholders' equity and cash flows for the three and nine months ended September 30, 2022 and 2021. 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, 2022 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2022 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, 2021 included in the Company's Annual Report on Form 10-K, which was filed with the SEC on February 10, 2022. 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.

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 and money market funds.

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 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, 2022, the Company recorded bad debt expense of $1.0 million. As of September 30, 2022 and December 31, 2021, the Company’s allowance for doubtful accounts was approximately $3.5 million and $1.9 million, respectively. The allowance for doubtful accounts is included as a reduction of accounts receivable on the Consolidated Balance Sheets.

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, 2022 and December 31, 2021, 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. Subsequent to the acquisition of PicMonkey, the Company also generates revenue from tools made available through the Company’s platform.

The Company recognizes revenue upon the satisfaction of performance obligations. For content licenses, 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 made available through the Company’s platform, revenue is recognized on a straight-line basis over the 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 reasonably assured at the time the electronic order or contract is entered. The majority 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.

Interest expense

Interest expense is comprised of borrowing costs on debt. In addition, interest expense includes amortization of debt issuance costs and unused commitment fees associated with the Company's credit facility.

Debt issuance costs are recorded in prepaid expenses and other current assets and other assets in the Consolidated Balance Sheets and are amortized over the term of the credit facility.

(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, 2022 or December 31, 2021, except as noted below.

Cash Equivalents

Cash equivalents include money market accounts and are classified as a level 1 measurement based on quoted prices in active markets for identical assets that the reporting entity can access at the measurement date. As of December 31, 2021, the Company had cash equivalent balances of $195.1 million. As of September 30, 2022, the Company did not have any cash equivalent balances.

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 property and equipment, 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, 2022 and December 31, 2021, 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, 2022, 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

Pond5, Inc.

On May 11, 2022, the Company completed its acquisition 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 a newly established revolving credit facility (See Note 7). In connection with the acquisition, the Company incurred approximately $3.6 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.

Splash News

On May 28, 2022, the Company completed its acquisition of Splash News, for approximately $6.3 million. The total purchase price was paid with existing cash on hand in the three months ended June 30, 2022. 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. For the three and nine months ended September 30, 2022, revenue of $13.1 million and $20.3 million, respectively, was included in the Consolidated Statements of Operations related to these acquired companies. 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):

Assets acquired and liabilities assumed (in thousands):	**Pond5[1]**	**Splash News[1]**	**Total**
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
Total assets acquired	$ 242,481	$ 8,033	$ 250,514
			—
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)
Total liabilities assumed	(24,467)	(1,717)	(26,184)
Net assets acquired	$ 218,014	$ 6,316	$ 224,330

[1] The allocation of the purchase price is preliminary and will be finalized within the allowable measurement period once independent valuations of the fair value of the assets acquired and liabilities assumed are completed. 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.

2021 Acquisitions

PicMonkey, LLC

On September 3, 2021, the Company completed the acquisition of substantially all of the assets and assumption of certain liabilities from PicMonkey, for approximately $109.4 million. The total purchase price was paid with existing cash on hand in the three months ended September 30, 2021. In connection with the acquisition, the Company incurred approximately $2 million of transaction costs, which is included in general and administrative expenses on the Consolidated Statements of Operations.

PicMonkey is a Washington-based company that operates an online graphic design and image editing platform that enables creators of any skill level to design high-quality visual assets. The Company believes this acquisition provides Shutterstock’s global customer community with professional-grade, easy-to-use design tools.

The identifiable intangible assets, which include customer relationships, developed technology and trade names, have weighted average lives of approximately 12 years, 5 years and 10 years, respectively. The goodwill arising from the transaction is primarily attributable to expected operational synergies and is expected to be deductible for income tax purposes.

TurboSquid, Inc.

On February 1, 2021, the Company completed its acquisition of TurboSquid, Inc. (“TurboSquid”), for approximately $77.3 million. The total purchase price was paid with existing cash on hand in the three months ended March 31, 2021. In connection with the acquisition, the Company incurred approximately $1.6 million of transaction costs, which is included in general and administrative expenses on the Consolidated Statements of Operations.

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

TurboSquid is a Louisiana-based company that operates a marketplace offering more than one million 3D models, a marketplace for 2D images derived from 3D objects and a digital asset management solution. The Company believes this acquisition establishes Shutterstock as the premium destination for 3D models as well as 3D models in an easy-to-use 2D format.

The identifiable intangible assets, which include customer relationships, developed technology, trade names and contributor content, have weighted average useful lives of approximately 12 years, 4.7 years, 10 years and 4 years, respectively. The goodwill arising from the transaction is primarily attributable to expected operational synergies and is not deductible for income tax purposes.

The PicMonkey and TurboSquid 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 names and developed technology were determined using the relief-from-royalty method, and the fair value of the contributor content was determined using the cost-to-recreate method.

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

Assets acquired and liabilities assumed (in thousands):	PicMonkey	TurboSquid	Total
Cash and cash equivalents	$ —	$ 5,165	$ 5,165
Other assets	502	1,553	2,055
Property and equipment	—	472	472
Right of use asset	1,420	—	1,420
Intangible assets:			
Customer relationships	28,800	9,000	37,800
Trade name	3,000	2,200	5,200
Developed technology	12,900	7,800	20,700
Contributor content	—	2,500	2,500
Intangible assets	44,700	21,500	66,200
Goodwill	71,607	59,491	131,098
Deferred tax asset	2,456	—	2,456
Total assets acquired	$ 120,685	$ 88,181	$ 208,866
Accounts payable, accrued expenses and other liabilities	(780)	(4,685)	(5,465)
Contributor royalties payable	—	(2,243)	(2,243)
Deferred revenue	(8,557)	—	(8,557)
Deferred tax liability	(533)	(3,923)	(4,456)
Lease liability	(1,420)	—	(1,420)
Total liabilities assumed	(11,290)	(10,851)	(22,141)
Net assets acquired	$ 109,395	$ 77,330	$ 186,725

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, 2022 and 2021, as if the Pond5 and Splash News acquisitions had been completed on January 1, 2021 and as if the TurboSquid and PicMonkey acquisitions had been completed on January 1, 2020, after giving effect to certain purchase accounting adjustments, primarily related to intangible assets and transaction costs. These pro forma results have been prepared for comparative purposes only 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,	
	2022	2021	2022	2021
Revenue				
As Reported	$ 204,096	$ 194,439	$ 610,100	$ 567,632
Pro Forma	204,096	213,350	630,383	630,666
Income before income taxes				
As Reported	$ 27,139	$ 20,420	$ 82,528	$ 90,624
Pro Forma	27,139	23,253	85,956	92,550

(4) Property and Equipment

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

	As of September 30, 2022	As of December 31, 2021
Computer equipment and software	$ 250,600	$ 221,429
Furniture and fixtures	10,217	10,238
Leasehold improvements	19,876	19,453
Property and equipment	280,693	251,120
Less accumulated depreciation	(225,552)	(203,046)
Property and equipment, net	$ 55,141	$ 48,074

Depreciation expense related to property and equipment was $8.7 million and $7.9 million for the three months ended September 30, 2022 and 2021, respectively, and $25.0 million and $23.8 million for the nine months ended September 30, 2022 and 2021, respectively. Cost of revenues included depreciation expense of $8.0 million and $7.1 million for the three months ended September 30, 2022 and 2021, respectively, and $22.7 million and $21.3 million for the nine months ended September 30, 2022 and 2021, respectively. General and administrative expense included depreciation expense of $0.8 million and $0.8 million for the three months ended September 30, 2022 and 2021, respectively, and $2.3 million and $2.5 million for the nine months ended September 30, 2022 and 2021, respectively.

Capitalized Internal-Use Software

The Company capitalized costs related to the development of internal-use software of $10.9 million and $6.7 million for the three months ended September 30, 2022 and 2021, respectively, and $31.1 million and $20.9 million for the nine months ended September 30, 2022 and 2021, 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 $7.6 million and $6.7 million for the three months ended September 30, 2022 and 2021, respectively, and $21.6 million and $20.1 million for the nine months ended September 30, 2022 and 2021, respectively. Depreciation expense related to capitalized internal-use software is included in cost of revenue in the Consolidated Statements of Operations.

As of September 30, 2022 and December 31, 2021, the Company had capitalized internal-use software of $48.4 million and $39.0 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, 2022.

The following table summarizes the changes in the Company's goodwill balance during the nine months ended September 30, 2022 (in thousands):

		Goodwill
Balance as of December 31, 2021	$	219,816
Goodwill related to acquisitions		164,522
Foreign currency translation adjustment		(4,833)
Balance as of September 30, 2022	$	379,505

Intangible Assets

Intangible assets consisted of the following as of September 30, 2022 and December 31, 2021 (in thousands):

	As of September 30, 2022				As of December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:							
Customer relationships	$ 86,362	$ (16,606)	$ 69,756	12	$ 55,542	$ (13,906)	$ 41,636
Trade name	15,978	(6,587)	9,391	9	11,787	(6,805)	4,982
Developed technology	92,111	(28,562)	63,549	4	67,940	(14,214)	53,726
Contributor content	48,303	(18,197)	30,106	8	37,984	(14,632)	23,352
Patents	259	(145)	114	18	259	(133)	126
Total	$ 243,013	$ (70,097)	$ 172,916		$ 173,512	$ (49,690)	$ 123,822

Amortization expense was $9.5 million and $5.6 million for the three months ended September 30, 2022 and 2021, respectively, and $24.8 million and $9.9 million for the nine months ended September 30, 2022 and 2021, respectively. Cost of revenue included amortization expense of $8.9 million and $4.2 million for the three months ended September 30, 2022 and 2021, respectively, and $23.1 million and $6.5 million for the nine months ended September 30, 2022 and 2021, respectively. General and administrative expense included amortization expense of $0.6 million and $1.4 million for the three months ended September 30, 2022 and 2021, respectively, and $1.7 million and $3.4 million for the nine months ended September 30, 2022 and 2021, respectively.

The Company determined that there was no indication of impairment of the intangible assets for any period presented. Estimated amortization expense is: $9.3 million for the remaining three months of 2022, $37.0 million in 2023, $30.3 million in 2024, $20.2 million in 2025, $18.2 million in 2026, $12.2 million in 2027 and $45.8 million thereafter.

(6) Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	As of September 30, 2022	As of December 31, 2021
Compensation	$ 30,321	$ 43,529
Non-income taxes	23,702	21,488
Website hosting and marketing fees	8,738	18,314
Other expenses	17,938	16,198
Total accrued expenses	$ 80,699	$ 99,529

(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.

On May 9, 2022, the Company borrowed $50 million for use in connection with the acquisition of Pond5, described under Note 3 (“Acquisitions”) and for general corporate purposes. As of September 30, 2022, the Company had outstanding borrowings under the Credit Facility of $50 million and had a remaining borrowing capacity of $48 million, net of standby letters of credit. As of December 31, 2021, the Company had no outstanding debt obligations. For the three and nine months ended September 30, 2022, the Company recognized interest expense of $0.4 million and $0.6 million, respectively. For the three and nine months ended September 30, 2022, the Company’s annualized interest rate was 3.2% and 3.0%, 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, 2022, the Company was in compliance with these covenants.

(8) Stockholders’ Equity and Equity-Based Compensation

Stockholders’ Equity

Common Stock

The Company issued approximately 103,000 and 18,000 shares of common stock during the three months ended September 30, 2022 and 2021, 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, authorizing the Company to purchase 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.

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, 2022, the Company repurchased approximately 275,000 and 984,000 shares of its common stock at an average per share cost of $58.94 and $74.02, respectively. During the three and nine months ended September 30, 2021, the Company repurchased approximately 41,900 shares of its common stock at an average cost of $115.95. As of September 30, 2022, the Company fully utilized its authorization for purchases under the share repurchase program.

Dividends

The Company declared and paid cash dividends of $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, and $0.21 and $0.63 per share of common stock, or $7.7 million and $23.0 million, during the three and nine months ended September 30, 2021, respectively.

On October 17, 2022, the Company's Board of Directors declared a quarterly cash dividend of $0.24 per share of outstanding common stock payable on December 15, 2022 to stockholders of record at the close of business on December 1, 2022. 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, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	$ 173	$ (49)	$ 407	$ 309
Sales and marketing	1,503	638	4,060	2,031
Product development	2,957	1,675	7,295	4,703
General and administrative	4,455	6,479	12,196	19,596
Total	$ 9,088	$ 8,743	$ 23,958	$ 26,639

The following table summarizes non-cash equity-based compensation expense, net of forfeitures, by award type included in the accompanying Consolidated Statements of Operations for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options	$ 84	$ 179	$ 62	$ 531
RSUs	9,004	8,564	23,896	26,108
Total	$ 9,088	$ 8,743	$ 23,958	$ 26,639

Stock Option Awards

During the nine months ended September 30, 2022, no options to purchase shares of its common stock were granted. As of September 30, 2022, there were approximately 286,000 options vested and exercisable with a weighted average exercise price of $34.03. As of September 30, 2022, the total unrecognized compensation expense related to non-vested options was approximately $0.1 million, which is expected to be recognized through 2023.

Restricted Stock Unit Awards

During the nine months ended September 30, 2022, the Company had RSU grants, net of forfeitures, of approximately 1,122,000. As of September 30, 2022, there are approximately 1,730,000 non-vested RSUs outstanding with a weighted average grant-date fair value of $71.59. As of September 30, 2022, the total unrecognized non-cash equity-based compensation expense related to the non-vested RSUs was approximately $84.9 million, which is expected to be recognized through 2026.

During the nine months ended September 30, 2022 and 2021, shares of common stock with an aggregate value of $22.0 million and $21.3 million were withheld upon vesting of RSUs and paid in connection with related remittance of employee withholding taxes to taxing authorities.

During the nine months ended September 30, 2022, the Company had approximately $3 million in forfeitures associated with the resignation of its former Chief Executive Officer.

(9) Revenue

The Company distributes its products through two primary channels:

E-commerce: The majority of the Company’s customers make purchases of content licenses and tools 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, 2022 and 2021 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
E-commerce	$ 124,594	$ 121,707	$ 379,052	$ 360,822
Enterprise	79,502	72,732	231,048	206,810
Total Revenues	$ 204,096	$ 194,439	$ 610,100	$ 567,632

The September 30, 2022 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. $152.7 million of total revenue recognized for the nine months ended September 30, 2022 was reflected in deferred revenue as of December 31, 2021.

(10) Other 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, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Foreign currency loss	$ (1,116)	$ (1,761)	$ (2,877)	$ (2,994)
Interest expense	(439)	—	(645)	—
Other	9	12	73	106
Total other expense	$ (1,546)	$ (1,749)	$ (3,449)	$ (2,888)

(11) Income Taxes

The Company's effective tax rates yielded a net expense of 15.1% and 21.5% for the three months ended September 30, 2022 and 2021, respectively, and a net expense of 16.3% and 17.2% for the nine months ended September 30, 2022 and 2021, respectively.

During the three months ended September 30, 2022, the net effect of discrete items decreased the effective tax rate by 3.3%. For the nine months ended September 30, 2022, the net effect of discrete items decreased the effective tax rate by 2.5%. 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.

During the three months ended September 30, 2021, the net effect of discrete items increased the effective tax rate by 1.3%. For the nine months ended September 30, 2021, the net effect of discrete items decreased the effective tax rate by 3.0%. The discrete items for the nine months ended September 30, 2021, primarily relate to windfall tax benefits associated with equity-based compensation. Excluding discrete items, the Company's effective tax rate would have been 20.2% for the three and nine months ended September 30, 2021.

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, 2022 and 2021, 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, 2022 and 2021.

During the nine months ended September 30, 2022 and 2021, the Company paid net cash taxes of $19.5 million and $14.8 million, respectively.

(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, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 23,040	$ 16,029	$ 69,057	$ 74,997
Shares used to compute basic net income per share	35,929	36,622	36,117	36,510
Dilutive potential common shares				
Stock options	120	255	174	240
Unvested restricted stock awards	220	540	390	535
Shares used to compute diluted net income per share	36,269	37,417	36,681	37,285
Basic net income per share	$ 0.64	$ 0.44	$ 1.91	$ 2.05
Diluted net income per share	$ 0.64	$ 0.43	$ 1.88	$ 2.01
Dilutive shares included in the calculation	1,208	1,279	1,150	1,312
Anti-dilutive shares excluded from the calculation	549	4	400	8

(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,	
	2022	2021	2022	2021
North America	$ 89,061	$ 77,264	$ 254,900	$ 210,527
Europe	57,308	60,301	182,792	187,356
Rest of the world	57,727	56,874	172,408	169,749
Total revenue	$ 204,096	$ 194,439	$ 610,100	$ 567,632

The United States, included in North America in the above table, accounted for 39% and 33% of consolidated revenue for the nine months ended September 30, 2022 and 2021, 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, 2022	As of December 31, 2021
North America	$ 45,182	$ 40,465
Europe	9,883	7,460
Rest of the world	76	149
Total long-lived tangible assets	$ 55,141	$ 48,074

The United States, included in North America in the above table, accounted for 77% and 76% of total long-lived tangible assets as of September 30, 2022 and December 31, 2021, respectively. Ireland, included in Europe in the above table, accounted for 14% and 11% of total long-lived tangible assets as of September 30, 2022 and December 31, 2021, respectively. No other country accounts for more than 10% of the Company's long-lived tangible assets in any period presented.

(14) Commitments and Contingencies

As of September 30, 2022, the Company had total non-lease obligations in the amount of approximately $95.5 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, 2022, the Company's non-lease obligations for the remainder of 2022 and for the years ending December 31, 2023, 2024, 2025 and 2026 were approximately $20.7 million, $38.9 million, $29.0 million, $6.3 million and $0.6 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 obligation are uncapped. As of September 30, 2022, 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 2021 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 2021 Form 10-K and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, which was filed with the SEC on July 26, 2022 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 the leading global creative platform for transformative brands and media companies. 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.

Our key 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. This offering became available upon our acquisition of TurboSquid, Inc. (“TurboSquid”) on February 1, 2021.
- Creative Design Software - consisting of our online graphic design and image editing platform. This offering became available after we completed the acquisition of substantially all of the assets and assumption of certain liabilities from PicMonkey, LLC (“PicMonkey”) on September 3, 2021.

On May 11, 2022, we completed our acquisition of Pond5, Inc. (“Pond5”), a video-first content marketplace which expands our content offerings across footage, image and music. On May 28, 2022, we acquired SCP 2020 Limited (“Splash News”), an entertainment news network for newsrooms and media companies, which offers image and video content across celebrity, red carpet and live events.

For customers seeking specialized solutions, Shutterstock Studios extends our offerings by providing custom, high-quality content matched with production tools and services at scale. Shutterstock Studios delivers end-to-end custom creative services providing data-driven content strategy and full-scale production for our customers. Shutterstock Editorial provides imagery and video content for the latest news, sports and entertainment, and Shutterstock Editorial also offers the Newsroom, for global breaking news, exclusives and archival content.

In addition, in July of 2021, through our newly formed entity Shutterstock.AI, Inc. (“Shutterstock.AI”), we acquired Pattern89, Inc., Datasine Limited, and assets from Shotzr, Inc., three artificial intelligence entities that provide data driven insights through their artificial intelligence platforms. Shutterstock.AI will commercialize data assets within our content library and enable companies to grow their capabilities in computer vision and content insights. The artificial intelligence tools obtained from these acquisitions will enable us to help customers make more data-informed content decisions.

Over 2.4 million active, paying customers contributed to our revenue for the twelve-month period ended September 30, 2022. As of September 30, 2022, more than 2.2 million approved contributors made their images, footage and music tracks available in our collection, which has grown to more than 424 million images and more than 27 million footage clips as of

September 30, 2022. This makes our collection of content one of the largest of its kind, and we delivered 130.8 million paid downloads to our customers across all of our brands during the nine months ended September 30, 2022.

Through our platform, we generate revenue as our customers make purchases of content licenses and tools. During the nine months ended September 30, 2022, 62% 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 our API platform as well as access to Shutterstock Editorial, which includes our library of editorial images and videos and Shutterstock Studios, which provides data-driven content strategy, brand storytelling and full scale production services. Our Enterprise sales channel provided approximately 38% of our revenue for the nine months ended September 30, 2022.

As the use cases for our creative solutions expand, we believe our customers are seeking alternative means to consume our offerings. As a result, we have seen strong growth in customers purchasing monthly subscription products, including our suite of multi-asset subscriptions, launched in 2021. These multi-asset products are credit-based and enable customers to license images, footage and music in a single subscription. Our subscriptions provide for either a fixed number of content licenses or credits that may be used to download content during the period. Our subscription-based pricing model makes the creative process easier because customers can download content in our collection for use in their creative process without incremental costs, which provides greater creative freedom and helps improve work product. In addition, customers may also purchase licenses through other contractual plans where the customer commits to buy a predetermined quantity of content licenses that may be downloaded over a period of time, generally between one month to one year. For users who need less content, individual content licenses may also be purchased on a transactional basis, paid for at the time of download.

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.

Key Operating 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. The following table summarizes our key operating metrics, which are unaudited, for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Subscribers (end of period)[1]	607,000	336,000	607,000	336,000
Subscriber revenue (in millions)[1]	$ 87.7	$ 81.5	$ 257.8	$ 236.1
Average revenue per customer (last twelve months)[1]	$ 329	$ 361	$ 329	$ 361
Paid downloads (in millions)	42.8	44.3	130.8	135.0
Revenue per download	$ 4.43	$ 4.20	$ 4.37	$ 4.11
Content in our collection (end of period, in millions):				
Images	424	390	424	390
Footage clips	27	23	27	23

[1] 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 and from PicMonkey beginning September 2022. These metrics exclude the respective counts and revenues from our acquisitions of Pond5 and Splash News.

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 and from PicMonkey beginning September 2022. These metrics exclude the respective counts and revenues from our acquisitions of Pond5 and Splash News.

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 and its growth. 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 and growth 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 products and the 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 custom content, downloads of content that are offered to customers for no charge, including our free image of the week, 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 they are the primary method of delivering licensed content, which drives a significant portion of the Company's 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 custom content, 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 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 on shutterstock.com 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, custom content and certain content that may be licensed for editorial use only. We believe that our large selection of high-quality content enables us to attract and retain customers and drives our network effect.

Critical Accounting Policies and 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. Actual results could differ from those estimates.

We believe that the policies, assumptions and estimates associated with our revenue recognition, allowance for doubtful accounts, goodwill and intangible assets and accounting for income taxes have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

A description of our critical accounting policies that involve significant management judgments appears in our 2021 Form 10-K, under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and 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 policies and estimates as compared to our critical accounting policies and estimates included in our 2021 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 make purchases of content licenses and tools 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, 2022 and 2021 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
E-commerce	$ 124,594	$ 121,707	$ 379,052	$ 360,822
Enterprise	79,502	72,732	231,048	206,810
Total Revenues	$ 204,096	$ 194,439	$ 610,100	$ 567,632

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.

Other Expense, Net. Other expense, 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,	
	2022	2021	2022	2021
	(in thousands)			
Consolidated Statements of Operations:				
Revenue	$ 204,096	$ 194,439	$ 610,100	$ 567,632
Operating expenses:				
Cost of revenue	79,911	69,634	226,381	199,223
Sales and marketing	47,777	54,456	155,335	142,273
Product development	17,534	13,565	48,322	36,289
General and administrative	30,189	34,615	94,085	96,335
Total operating expenses	175,411	172,270	524,123	474,120
Income from operations	28,685	22,169	85,977	93,512
Other expense, net	(1,546)	(1,749)	(3,449)	(2,888)
Income before income taxes	27,139	20,420	82,528	90,624
Provision for income taxes	4,099	4,391	13,471	15,627
Net income	$ 23,040	$ 16,029	$ 69,057	$ 74,997

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,	
	2022	2021	2022	2021
Consolidated Statements of Operations:				
Revenue	100 %	100 %	100 %	100 %
Operating expenses:				
Cost of revenue	39 %	36 %	37 %	35 %
Sales and marketing	23 %	28 %	25 %	25 %
Product development	9 %	7 %	8 %	6 %
General and administrative	15 %	18 %	15 %	17 %
Total operating expenses	86 %	89 %	86 %	84 %
Income from operations	14 %	11 %	14 %	16 %
Other expense, net	(1)%	(1)%	(1)%	(1)%
Income before income taxes	13 %	11 %	14 %	16 %
Provision for income taxes	2 %	2 %	2 %	3 %
Net income	11 %	8 %	11 %	13 %

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

Comparison of the Three Months Ended September 30, 2022 and 2021

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

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
	(in thousands)			
Consolidated Statements of Operations:				
Revenue	$ 204,096	$ 194,439	$ 9,657	5 %
Operating expenses:				
Cost of revenue	79,911	69,634	10,277	15
Sales and marketing	47,777	54,456	(6,679)	(12)
Product development	17,534	13,565	3,969	29
General and administrative	30,189	34,615	(4,426)	(13)
Total operating expenses	175,411	172,270	3,141	2
Income from operations	28,685	22,169	6,516	29
Other expense, net	(1,546)	(1,749)	203	(12)
Income before income taxes	27,139	20,420	6,719	33
Provision for income taxes	4,099	4,391	(292)	(7)
Net income	$ 23,040	$ 16,029	$ 7,011	44 %

Revenue

Revenue increased by $9.7 million, or 5%, to $204.1 million in the three months ended September 30, 2022 compared to the same period in 2021. On a constant currency basis, revenue increased approximately 10% in the three months ended September 30, 2022, compared to the same period in 2021. Approximately 17% and 7% of the Company's revenues were denominated in Euro and Pounds Sterling, respectively. These currencies have depreciated to historically low values compared to the U.S. dollar during the three months ended September 30, 2022. Other currencies we transact in, including the Japanese Yen and Australian Dollar also depreciated significantly during the period.

The Company's E-commerce revenues increased by 2%, to $124.6 million in the three months ended September 30, 2022, compared to the same period in 2021. On a constant currency basis, E-commerce revenues increased by 6% in the three months ended September 30, 2022, compared to the same period in 2021. During the three months ended September 30, 2022, growth in our E-commerce sales channel was primarily driven by revenue generated from our acquisitions of PicMonkey and Pond5 which were completed on September 3, 2021 and May 11, 2022, respectively. E-commerce revenue also benefited from higher subscriber revenue, which was offset by a reduction in revenue generated from our transactional products.

The Company's Enterprise revenues increased by 9%, to $79.5 million in the three months ended September 30, 2022, compared to the same period in 2021. On a constant currency basis, the Company's Enterprise revenues increased by 15% in the three months ended September 30, 2022, compared to the same period in 2021. Enterprise revenue growth was driven by our multi-asset product offerings and continued momentum in Shutterstock Studios and Shutterstock Editorial. Enterprise revenue growth also benefited from our acquisitions of Pond5 and Splash News, which were completed on May 11, 2022 and May 28, 2022, respectively.

In the three months ended September 30, 2022 and 2021, we delivered 42.8 million and 44.3 million paid downloads, respectively, and our revenue per download was $4.43 and $4.20 for the three months ended September 30, 2022 and 2021, respectively. During the three months ended September 30, 2022, the increase in revenue per download was primarily due to changes in product mix.

Changes in our revenue by region were as follows: revenue from North America increased by $11.8 million, or 15%, to $89.1 million, revenue from Europe decreased by $3.0 million, or 5%, to $57.3 million and revenue from outside Europe and North America increased by $0.9 million, or 1%, to $57.7 million, in the three months ended September 30, 2022 compared to the same period in 2021. During the three months ended September 30, 2022, the decline in revenue in Europe was a result of weaker demand and foreign currency pressures.

Costs and Expenses

Cost of Revenue. Cost of revenue increased by $10.3 million, or 15% to $79.9 million in the three months ended September 30, 2022 compared to the same period in 2021. This increase was primarily driven by: (i) increased depreciation and amortization expense driven by our recent acquisitions; (ii) increased royalty, content and reviewer costs; and (iii) higher costs associated with website hosting, hardware and software licenses. We expect that our cost of revenue will continue to fluctuate in line with changes in revenue and paid downloads.

Sales and Marketing. Sales and marketing expenses decreased by $6.7 million, or 12%, to $47.8 million in the three months ended September 30, 2022 compared to the same period in 2021. As a percent of revenue, sales and marketing expenses decreased to 23% for the three months ended September 30, 2022, from 28% for the same period in 2021. This was primarily driven by $8.4 million in decreased marketing spend, primarily related to a decline in linear television ad spend and brand marketing. 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 $4.0 million, or 29%, to $17.5 million in the three months ended September 30, 2022 compared to the same period in 2021. This increase was driven by $3.0 million in higher employee and third-party contractor related costs, net of capitalized labor, for the three months ended September 30, 2022, as compared to the same period in the prior year. 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 decreased by $4.4 million, or 13%, to $30.2 million in the three months ended September 30, 2022 compared to the same period in 2021. This decrease was driven by (i) $2.3 million in lower professional fees driven by transaction costs associated with the PicMonkey acquisition on September 3, 2021, and (ii) $1.8 million in decreased non-cash compensation expense.

Other Expense, Net. In the three months ended September 30, 2022, other expense, net substantially consisted of $1.1 million of unfavorable unrealized foreign currency fluctuations and $0.4 million of interest expense related to the Credit Facility. During the three months ended September 30, 2021, other expense, net substantially consisted of $1.8 million of unfavorable 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 $0.3 million for the three months ended September 30, 2022, compared to the same period in 2021. Our effective tax rates were 15.1% and 21.5% for the three months ended September 30, 2022 and 2021, respectively.

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.

For the three months ended September 30, 2021, the net effect of discrete items increased the effective tax rate by 1.3%. Excluding discrete items, our effective tax rate would have been 20.2% for the three months ended September 30, 2021.

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, 2022 and 2021

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

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
		(in thousands)		
Consolidated Statements of Operations Data:				
Revenue	$ 610,100	$ 567,632	$ 42,468	7 %
Operating expenses:				
Cost of revenue	226,381	199,223	27,158	14 %
Sales and marketing	155,335	142,273	13,062	9 %
Product development	48,322	36,289	12,033	33 %
General and administrative	94,085	96,335	(2,250)	(2)%
Total operating expenses	524,123	474,120	50,003	11 %
Income from operations	85,977	93,512	(7,535)	(8)%
Other expense, net	(3,449)	(2,888)	(561)	19 %
Income before income taxes	82,528	90,624	(8,096)	(9)%
Provision for income taxes	13,471	15,627	(2,156)	(14)%
Net income	$ 69,057	$ 74,997	$ (5,940)	(8)%

Revenue

Revenue increased by $42.5 million, or 7%, to $610.1 million in the nine months ended September 30, 2022 compared to the same period in 2021. On a constant currency basis, revenue increased approximately 11% in the nine months ended September 30, 2022, compared to the same period in 2021. Approximately 18% and 7% of the Company’s revenues were denominated in Euro and Pounds Sterling, respectively. These currencies have depreciated to historically low values compared to the U.S. dollar during the nine months ended September 30, 2022. Other currencies we transact in, including the Japanese Yen and Australian Dollar also depreciated significantly during the period.

The Company’s E-commerce revenues increased by 5%, to $379.1 million in the nine months ended September 30, 2022, compared to the same period in 2021. On a constant currency basis, the Company’s E-commerce revenues increased by 8% in the nine months ended September 30, 2022, compared to the same period in 2021. During the nine months ended September 30, 2022, growth in our E-commerce sales channel was primarily driven by revenue generated from our acquisitions of PicMonkey and Pond5, which were completed on September 3, 2021 and May 11, 2022, respectively. E-commerce revenue also benefited from higher subscriber revenue, which was offset by a reduction in revenue generated from our transactional products.

The Company’s Enterprise revenues increased by 12%, to $231.0 million in the nine months ended September 30, 2022, compared to the same period in 2021. On a constant currency basis, the Company’s Enterprise revenues increased by 16% in the nine months ended September 30, 2022, compared to the same period in 2021. Enterprise revenue growth was driven by our multi-asset product offerings and continued momentum in Shutterstock Studios and Shutterstock Editorial. Enterprise revenue growth also benefited 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, 2022 and 2021, we delivered 130.8 million and 135.0 million paid downloads, respectively, and our revenue per download was $4.37 and $4.11 for the nine months ended September 30, 2022 and 2021, respectively. During the nine months ended September 30, 2022, the increase in revenue per download was primarily due to changes in product mix.

Changes in our revenue by region were as follows: revenue from North America increased by $44.4 million, or 21%, to $254.9 million, revenue from Europe decreased by $4.6 million, or 2%, to $182.8 million and revenue from outside Europe and North America increased by $2.7 million, or 2%, to $172.4 million, in the nine months ended September 30, 2022 compared to the same period in 2021.

Costs and Expenses

Cost of Revenue. Cost of revenue increased by $27.2 million, or 14%, to $226.4 million in the nine months ended September 30, 2022 compared to the same period in 2021. This increase was primarily driven by: (i) increased depreciation and amortization expense driven by our recent acquisitions; (ii) increased royalty, content and reviewer costs; and (iii) higher costs associated with website hosting, hardware and software licenses. We expect that our cost of revenue will continue to fluctuate in line with changes in revenue and paid downloads.

Sales and Marketing. Sales and marketing expenses increased by $13.1 million, or 9%, to $155.3 million in the nine months ended September 30, 2022 compared to the same period in 2021. As a percent of revenue, sales and marketing expenses remained flat at 25% for the nine months ended September 30, 2022 and 2021. The increase in sales and marketing expenses was primarily driven by (i) $5.1 million in higher employee-related costs and (ii) $2.4 million in higher marketing spend. In addition, the Company has incurred additional marketing expenses associated with second quarter live events and festivals. 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 $12.0 million, or 33%, to $48.3 million in the nine months ended September 30, 2022 as compared to the same period in 2021. This increase in product development was primarily driven by (i) $9.2 million in higher employee and third-party contractor related costs, net of capitalized labor for the nine months ended September 30, 2022 and (ii) increased software and other IT-related costs for the nine months ended September 30, 2022. 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 decreased by $2.3 million, or 2%, to $94.1 million in the nine months ended September 30, 2022 compared to the same period in 2021. This decrease was primarily driven by a $7.4 million decrease in non-cash compensation expense related to the departure of certain executives and expense associated with certain performance based awards and $1.8 million in lower depreciation and amortization expense. This was partially offset by (i) $3.9 million in professional fees related to our acquisitions of Pond5 and Splash News, (ii) $2.0 million related to realized foreign currency losses, (iii) $1 million related to a donation to provide direct assistance to Shutterstock’s contributors in Ukraine, and (iv) $0.8 million increase in bad debt expense.

Other Expense, Net. During the nine months ended September 30, 2022, other expense, net substantially consisted of $2.9 million of unfavorable foreign currency fluctuations and $0.6 million of interest expense related to the Credit Facility. During the nine months ended September 30, 2021, approximately $3.0 million of other expense, net consisted of unfavorable 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 $2.2 million for the nine months ended September 30, 2022 as compared to the same period in 2021. Our effective tax rates for the nine months ended September 30, 2022 and 2021 were 16.3% and 17.2%, respectively.

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.

For the nine months ended September 30, 2021, the effective tax rate decreased by 3.0% related primarily to windfall tax benefits associated with equity-based compensation. Excluding discrete items, our effective tax rate would have been 20.2% for the nine months ended September 30, 2021.

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. 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. Additionally, because a significant portion of our revenue is derived from repeat customers who have purchased subscription plans, our revenues have historically been less volatile than if we had no subscription-based customers.

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, including any impacts from COVID-19. 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.

See "Risks Related to the Coronavirus ("COVID-19") Pandemic, The effect of the COVID-19 pandemic on our operations, and the operations of our customers, partners and suppliers, could have a material adverse effect on our business, financial condition, cash flows and results of operations" in Part I, Item 1A, "Risk Factors" in our 2021 Form 10-K for further discussion of the possible impact of the COVID-19 pandemic on our business.

Liquidity and Capital Resources

As of September 30, 2022, we had cash and cash equivalents totaling $76.2 million which consisted 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 program. 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 $0.72 per share of common stock, or $26.0 million during the nine months ended September 30, 2022.

On October 17, 2022, our Board of Directors declared a quarterly cash dividend of $0.24 per share of outstanding common stock payable on December 15, 2022 to stockholders of record at the close of business on December 1, 2022. 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, 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. 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.

As of September 30, 2022, we have repurchased approximately 3.8 million shares of our common stock under the share repurchase program at an average per-share cost of $52.97. During the nine months ended September 30, 2022, we repurchased approximately 984,000 shares of our common stock at an average per share cost of $74.02. As of September 30, 2022, we have fully utilized our authorization for purchases under the share repurchase program.

Equity-Based Compensation

Upon the vesting of restricted stock units ("RSUs"), we have a practice of net share settlement, to cover any required withholding taxes by retaining the number of shares with a value equal to the amount of the tax and remitting an equal amount of cash to the appropriate taxing authorities, rather than requiring employees to sell a portion of the shares that they receive upon vesting to fund the required withholding taxes ("sell-to-cover"). The net share settlement approach has increased our cash outflows compared to the cash outflows under the sell-to-cover approach. In addition, as compared to the sell-to-cover approach, net share settlement has resulted in fewer shares being issued into the market as employees' RSUs vest, thereby reducing the dilutive impact of our equity-based compensation programs on stockholders.

During the nine months ended September 30, 2022, we paid $22.0 million related to employee taxes on RSU vestings.

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.

On May 9, 2022, we borrowed $50 million for use in connection with the acquisition of Pond5 and for general corporate purposes. As of September 30, 2022, we had outstanding borrowings under the Credit Facility of $50 million. As of December 31, 2021, we had no outstanding debt obligations. For the three and nine months ended September 30, 2022, the Company paid cash interest totaling $0.4 million and $0.5 million, respectively. For the three and nine months ended September 30, 2022, our annualized interest rate was 3.2% and 3.0%, respectively.

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, 2022, 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 and thereafter for the foreseeable future. Future capital expenditures could 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. 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, 2022.

Cash Flows

The following table summarizes our cash flow data for the nine months ended September 30, 2022 and 2021 (in thousands).

	Nine Months Ended September 30,	
	2022	2021
Net cash provided by operating activities	$ 97,289	$ 161,858
Net cash used in investing activities	$ (257,905)	$ (242,407)
Net cash used in financing activities	$ (70,277)	$ (46,426)

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 $97.3 million for the nine months ended September 30, 2022, compared to $161.9 million for the nine months ended September 30, 2021. In the nine months ended September 30, 2022, operating cash flows were unfavorably impacted from a reduction in operating income and changes in the timing of payments pertaining to operating expenses, which can cause operating cash flow to fluctuate from period to period.

Investing Activities

Cash used in investing activities for 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 into perpetuity.

Cash used in investing activities in the nine months ended September 30, 2021 was $242.4 million, consisting primarily of (i) $181.8 million cash used in the acquisitions of TurboSquid and PicMonkey, net of cash acquired; (ii) $31.4 million cash used in the asset acquisitions of Pattern89, Inc., Datasine Limited and assets from Shotzr, Inc.; (iii) capital expenditures of $21.2 million for internal-use software and website development costs and purchases of software and equipment, and (iv) $7.9 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, 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.

Cash used in financing activities in the nine months ended September 30, 2021 was $46.4 million, consisting primarily of (i) $23.0 million, related to the payment of the quarterly cash dividend; (ii) $21.3 million, paid in settlement of tax withholding obligations related to employee stock-based compensation awards, and (iii) $4.2 million in connection with the repurchase of common stock under our share repurchase program. These amounts were partially offset by approximately $2.0 million received from the issuance of common stock in connection with the exercise of stock options.

Contractual Obligations and Commitments

We lease real estate under operating lease agreements that expire on various dates during the period from 2022 through 2029. We do not have any material finance lease obligations and our property, equipment and software have been purchased primarily with cash. We do not anticipate any difficulties in renewing those leases and co-location agreements that expire within the next several years and that we currently plan to renew, or in leasing other space or hosting facilities, if required.

On March 21, 2013, we entered into an operating lease agreement to lease our headquarters in New York City, which was amended in 2016. The aggregate undiscounted future minimum lease payments under the lease, as amended, are approximately $46.1 million. We are also party to a letter of credit as a security deposit for this leased facility in the amount of $1.7 million.

Additionally, as of September 30, 2022, aggregate undiscounted future minimum lease payments under other operating leases are approximately $8.1 million.

We enter into unconditional 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. As of September 30, 2022, our guaranteed royalty payments and unconditional purchase obligations for the remainder of 2022 and for the fiscal years ending December 31, 2023, 2024, 2025 and 2026 were approximately $20.7 million, $38.9 million, $29.0 million, $6.3 million and $0.6 million, respectively.

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,	
	2022	2021	2022	2021
Non-GAAP Financial Measures:	(in thousands)			
Adjusted EBITDA	$ 56,033	$ 44,400	$ 159,769	$ 153,882
Adjusted net income	36,166	26,354	103,622	100,925
Free cash flow	$ 21,398	$ 44,318	$ 53,176	$ 132,801
Revenue growth on a constant currency basis	10 %	17 %	11 %	15 %

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, and that revenue growth (including by distribution channel) on a constant currency basis, 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 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 and free cash flow, and the most comparable financial measures calculated and presented in accordance with GAAP, are presented below.

Adjusted EBITDA and Adjusted EBITDA Margin

We define adjusted EBITDA as net income adjusted for depreciation and amortization, non-cash equity-based compensation, foreign currency transaction gains and losses, 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Net income	$ 23,040	$ 16,029	$ 69,057	$ 74,997
Add / (less) Non-GAAP adjustments:				
Depreciation and amortization	18,259	13,488	49,834	33,731
Non-cash equity-based compensation	9,088	8,743	23,958	26,639
Other adjustments, net[1]	1,547	1,749	3,449	2,888
Provision for income taxes	4,099	4,391	13,471	15,627
Adjusted EBITDA	$ 56,033	$ 44,400	$ 159,769	$ 153,882
Adjusted EBITDA margin	27.5 %	22.8 %	26.2 %	27.1 %

(1) Other adjustments, net includes unrealized foreign currency transaction gains and losses, 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 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Net income	$ 23,040	$ 16,029	$ 69,057	$ 74,997
Add / (less) Non-GAAP adjustments:				
Non-cash equity-based compensation	9,088	8,743	23,958	26,639
Tax effect of non-cash equity-based compensation[1]	(2,135)	(2,055)	(5,629)	(6,260)
Acquisition-related amortization expense	8,069	4,754	21,224	7,253
Tax effect of acquisition-related amortization expense[1]	(1,896)	(1,117)	(4,988)	(1,704)
Adjusted net income	$ 36,166	$ 26,354	$ 103,622	$ 100,925
Adjusted net income per diluted common share	$ 1.00	$ 0.70	$ 2.82	$ 2.71

(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,	
	2022	2021	2022	2021
	(in thousands)			
Reported revenue (in thousands)	$ 204,096	$ 194,439	$ 610,100	$ 567,632
Revenue growth	*5 %*	*18 %*	*7 %*	*17 %*
Revenue growth on a constant currency basis	*10 %*	*17 %*	*11 %*	*15 %*
E-commerce reported revenue (in thousands)	$ 124,594	$ 121,707	$ 379,052	$ 360,822
E-commerce revenue growth	*2 %*	*18 %*	*5 %*	*20 %*
E-commerce revenue growth on a constant currency basis	*6 %*	*18 %*	*8 %*	*18 %*
Enterprise reported revenue (in thousands)	$ 79,502	$ 72,732	$ 231,048	$ 206,810
Enterprise revenue growth	*9 %*	*17 %*	*12 %*	*12 %*
Enterprise revenue growth on a constant currency basis	*15 %*	*15 %*	*16 %*	*9 %*

Free Cash Flow

We define free cash flow as our cash provided by operating activities, adjusted for capital expenditures and content acquisition.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Net cash provided by operating activities	$ 37,715	$ 54,642	$ 97,289	$ 161,858
Capital expenditures	(12,125)	(5,830)	(32,922)	(21,167)
Content acquisitions	(4,192)	(4,494)	(11,191)	(7,890)
Free Cash Flow	$ 21,398	$ 44,318	$ 53,176	$ 132,801

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 33% and 35% for the nine months ended September 30, 2022 and 2021, 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, 2022, 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,			
	2022		2021		2022		2021	
	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency
Euro	$ 33,993	€ 32,868	$ 35,930	€ 30,333	$ 111,635	€ 102,626	$ 112,573	€ 94,876
British pounds	14,606	£ 12,140	14,678	£ 10,681	42,826	£ 33,654	43,587	£ 31,802
All other non-U.S. currencies[(1)]	14,788		14,261		44,069		42,290	
Total foreign currency	63,387		64,869		198,530		198,450	
U.S. dollar	140,709		129,570		411,570		369,182	
Total revenue	$ 204,096		$ 194,439		$ 610,100		$ 567,632	

(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, 2022.

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, 2022. 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, 2022, 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. We completed the acquisitions of Pond5 and Splash News during the second quarter of 2022 and are in the process of integrating the acquired businesses into our overall internal control over financial reporting process.

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 2021 Form 10-K, and Part II, "Item 1A. Risk Factors" in our second quarter 2022 Form 10-Q, which could materially affect our business, financial condition or future results. During the three months ended September 30, 2022, there were no material changes to these risk factors as described in our 2021 Form 10-K and second quarter 2022 Form 10-Q.

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[(1)]	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs[(1)]
July 1 - 31, 2022	60,000	$ 58.82	60,000	
August 1 - 31, 2022	143,463	60.48	143,463	
September 1 - 30, 2022	71,538	55.95	71,538	
	275,001	$ 58.94	275,001	$ —

(1) We purchased shares of our common stock in open market purchases pursuant to share repurchases authorized by our Board of Directors. In October 2015, our Board of Directors authorized the repurchase of 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 an additional $100 million of our outstanding common stock. As of September 30, 2022, we have fully utilized our authorization for purchases under this authorization.

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

Exhibit Number	Exhibit Description
10.1	Separation Agreement and General Release between the Company and Peter Silvio, dated September 1, 2022
10.2#	2022 Nonqualified Deferred Compensation Plan
31.1#	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
31.2#	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
32#	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
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)

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 25, 2022	By:	/s/ Jarrod Yahes
		Jarrod Yahes *Chief Financial Officer* *(Principal Financial Officer)*
Dated: October 25, 2022	By:	/s/ Steven Ciardiello
		Steven Ciardiello *Chief Accounting Officer* *(Principal Accounting Officer)*

SHUTTERSTOCK, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

Section 1. Purpose

This Shutterstock, Inc. Nonqualified Deferred Compensation Plan is established by Shutterstock, Inc. for the purpose of providing deferred compensation for a select group of management or highly compensated employees and non-employee directors. The Plan is intended to be unfunded and Participants have the status of general unsecured creditors with respect to payments under the Plan.

Section 2. Definitions

The following terms, when capitalized, have the meanings set forth below:

2.1 "**Account**" means a hypothetical bookkeeping account established in the name of each Participant and maintained by the Company to reflect the Participant's interests under the Plan.

2.2 "**Beneficiary**" means a person, trust, estate or entity designated by a Participant in accordance with Section 11.2 to receive, upon the death of the Participant, the Participant's benefits pursuant to the terms of the Plan.

2.3 "**Board**" means the Board of Directors of the Company.

2.4 "**Bonus**" means a Participant's annual bonus, commissions or cash compensation earned by a Participant for services rendered under any bonus or cash incentive plan maintained by the Company with respect to a Plan Year.

2.5 "**Cause**" has the meaning ascribed to it in any written agreement defining such term between a Participant and the Company or, if applicable, a Participating Employer and, in the absence of any such agreement, Cause means the occurrence of any of the following:

(a) the Participant's gross negligence or willful misconduct in the performance of the Participant's duties and responsibilities to, or the Participant's violation of any written policy of, the Company or any Participating Employer;

(b) the Participant's commission of any act of fraud, theft, embezzlement, financial dishonesty or any other willful misconduct that has caused or is reasonably expected to result in injury to the Company or any Participating Employer;

(c) the Participant's conviction of, or pleading guilty or *nolo contendere* to, any felony or a lesser crime involving dishonesty or moral turpitude;

(d) the Participant's alcohol abuse or other substance abuse;

(e) the unauthorized use or disclosure of any proprietary information or trade secrets (other than as explicitly set forth in any policy of the Company or any Participating Employer) of the Company, any Participating Employer or any other party to whom Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company or any Participating Employer; or

(f) the Participant's material breach of any of the Participant's obligations under any written agreement or covenant with the Company or any Participating Employer.

2.6 "**Change in Control**" means the occurrence of any of the following:

(g) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if the Company's shareholders immediately prior to such merger, consolidation or reorganization cease to directly or indirectly own immediately after such merger, consolidation or reorganization at least a majority of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization;

(h) The consummation of the sale, transfer or other disposition of all or substantially all of the Company's assets (other than (i) to a corporation or other entity of which at least a majority of its combined voting power is owned directly or indirectly by the Company, (ii) to a corporation or other entity owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company or (iii) to a continuing or surviving entity described in Section 2.6(a) in connection with a merger, consolidation or corporate reorganization which does not result in a Change in Control under Section 2.6(a);

(i) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election, *provided* that, for purposes of this Section 2.6(c), if any Person (as defined in Section 2.6(d)) is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control;

(j) The consummation of any transaction as a result of which any Person becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least fifty percent (50%) of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Section 2.6(d), the term "**Person**" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude:

(i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or an affiliate of the Company;

(ii) a corporation or other entity owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company;

(iii) the Company; and

(iv) a corporation or other entity of which at least a majority of its combined voting power is owned directly or indirectly by the Company; or

(a) A complete winding up, liquidation or dissolution of the Company;

provided that, in the case of any of the foregoing provisions of this Section 2.6, the transaction constitutes a "change in control event" within the meaning of Treasury Regulations Section 1.409A-3(i)(5). A transaction shall not constitute a "Change in Control" if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

2.7 "**Code**" means the Internal Revenue Code of 1986, as amended.

2.8 Committee" means the Compensation Committee of the Board.

2.9 "**Company**" means Shutterstock, Inc., a Delaware corporation, and any successor thereto.

2.10 "**Compensation**" means a Participant's Salary, Bonus and 401(k) Refund, or, in the case of a Director, the Participant's Director Fees, for a Plan Year.

2.11 "**Deferral**" means an amount deferred subject to a Participant's Deferral Election and any Subsequent Election pursuant to Section 5 and credited to the Participant's Account, together with the notional earnings and losses that are credited and debited with respect to such amount.

2.12 "**Deferral Election**" means an election by a Participant and/or Eligible Employee or Director to defer Compensation for a Plan Year.

2.13 "**Director**" means a member of the Board other than an Eligible Employee who has been selected for participation under Section 4.1.

2.14 "**Director Fees**" means a Director's cash retainer or fees for services in a Plan Year.

2.15 "**Disability**" means (a) a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, the Participant is receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company or, if applicable, a Participating Employer, or (c) the Participant is determined to be totally disabled by the Social Security Administration, in each case subject to Treasury Regulations Section 1.409A-3(i)(4).

2.16 "**Discretionary Contribution**" means an amount awarded to a Participant by the Company and credited to the Participant's Account pursuant to Section 6, together with the notional earnings and losses that are credited and debited with respect to such amount.

2.17 "**Distribution Date**" means a date specified by a Participant in a Deferral Election with respect to the Participant's elective Deferrals, or otherwise specified with respect to a Participant's Discretionary Contributions for the payment (or commencement of installment payments) of all or a portion of such Participant's Account.

2.18 "**Election Period**" means the period established by the Plan Committee with respect to each Plan Year as set forth in Section 5.2, during which Participants' Deferral Elections must be made in accordance with the requirements of Section 409A of the Code.

2.19 "**Eligible Employee**" means a common law employee of the Company or a Participating Employer at the level of Vice President or above or who has been selected for participation under Section 4.1.

2.20 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

2.21 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

2.22 “**401(k) Plan**” means the Shutterstock, Inc. 401(k) Plan, as it may be amended from time to time, or any successor or other qualified retirement plan of the Company or, if applicable, a Participating Employer that includes a cash or deferred arrangement intended to meet the requirements of Section 401(k) of the Code.

2.23 “**401(k) Refund**” means an amount equal in value to any corrective distributions refunded to a Participant from the 401(k) Plan in a Plan Year, resulting from salary reduction contributions in excess of the maximum deferral allowable under the 401(k) Plan for the preceding Plan Year.

2.24 “**Measurement Fund**” means an investment fund, index or vehicle designated by the Plan Committee as provided under Section 7.2.

2.25 “**Participant**” means an Eligible Employee or Director who makes a valid Deferral Election in accordance with Section 5 or who is awarded a Discretionary Contribution as provided in Section 6, and any former Eligible Employee or Director entitled to an amount credited under the Plan.

2.26 “**Participating Employer**” means a subsidiary of the Company that has been selected by the Board or the Committee to participate in the Plan and has adopted the Plan.

2.27 “**Payment Event**” has the meaning set forth in Section 8.1.

2.28 “**Performance-Based Compensation**” means compensation the amount of or entitlement to which is contingent on satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least twelve (12) consecutive months for which the outcome is substantially uncertain at the time the criteria are established, which performance criteria are established in writing by not later than ninety (90) days after the commencement of the performance period, and which meets the other requirements set forth in Treasury Regulations Section 1.409A-1(e).

2.29 “**Plan**” means this Shutterstock, Inc. Nonqualified Deferred Compensation Plan, as set forth herein and amended from time to time.

2.30 “**Plan Committee**” has the meaning set forth in Section 3.1.

2.31 “**Plan Year**” means a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.

2.32 “**Salary**” means a Participant’s base salary payable for services rendered during a Plan Year.

2.33 “**Separation from Service**” means a termination of the services provided by a Participant to the Company or a Participating Employer, other than by reason of death or Disability, as determined by the Plan Committee in accordance with Treasury Regulations Section 1.409A-1(h).

2.34 “**Specified Employee**” means a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code, as determined by the Plan Committee, *provided* that unless otherwise elected by the Plan Committee in accordance with Treasury Regulations Section 1.409A-1(i)(8), and subject to the requirements of Treasury Regulations Section 1.409A-1(i)(5), each Participant or other Eligible Employee shall be deemed to be a "specified employee" for purposes of the Plan.

2.35 "**Specified Employee Payment Date**" has the meaning set forth in Section 8.2.

2.36 "**Subsequent Election**" has the meaning set forth in Section 5.3.

2.37 "**Unforeseeable Emergency**" shall mean a severe financial hardship of the Participant resulting from illness or accident of the Participant or the Participant's spouse, or dependent, loss of the Participant's property due to casualty, or (c) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, determined in accordance with Treasury Regulations Section 1.409A-3(i)(3)(i).

2.38 "**Valuation Date**" means the date designated by the Plan Committee, in its sole discretion, as of which the value of a Measurement Fund, and the corresponding portion of a Participant's Account, is adjusted for notional earnings and losses, and/or as of which the balance of a Participant's Account is determined as of the date of any payment to the Participant or the Participant's Beneficiary under the Plan.

Section 3. Administration

3.1 Plan Committee. The Plan shall be administered by the Committee or one or more successor committees of the Board appointed by the Board or the Committee to administer the Plan (in either case, the "**Plan Committee**"). The Plan Committee may delegate any or all of its authority granted under the Plan to one or more executives of the Company or a committee thereof, except with respect to matters pertaining to participation by Directors under the Plan.

3.2 Authority. The Plan Committee shall have discretionary authority to:

(a) construe and interpret the Plan and apply its provisions;

(b) make, amend, rescind, interpret and enforce rules and regulations relating to the administration of the Plan;

(c) decide or resolve any and all questions, including determinations regarding eligibility, participation, benefits and payment, as may arise in connection with the Plan;

(d) authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;

(e) reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to the Plan; and

(f) take any and all other actions make any and all other determinations that it determines to be necessary or appropriate for the administration of the Plan.

The determinations of the Plan Committee need not be uniform and shall be conclusive, final and binding on all persons having an interest under the Plan.

3.1 Claims Procedure. Except with respect to participation by Directors under the Plan, any claim for benefits under the Plan is wholly or partially denied, the Plan Committee shall give notice in writing of any such denial to the affected Participant or Beneficiary, setting forth the specific reasons for such denial, and a review procedure meeting the applicable requirements of Section 503 of ERISA and the Labor Regulations thereunder shall be available upon such written notice of the denial of the claim. The Participant or Beneficiary may request a further review of such denial within sixty (60) days after the mailing date of such decision by the Plan Committee, in which case such further review shall be made within a reasonable period of time, but not later than sixty (60) days, after receipt of the request for further review, unless a hearing is necessitated to determine the facts and circumstances, in which event a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for further review.

Section 4. Eligibility and Participation

4.1 Eligibility. Employees of the Company or a Participating Employer at the level of Vice President or above or who are designated by the Plan Committee from a select group of management or highly compensated employees ("**Eligible Employees**") and members of the Board other than Eligible Employees who are designated by the Plan Committee ("**Directors**") shall be eligible to participate in the Plan. Eligible Employees and Directors with respect to any Plan Year shall be so notified by the Company and shall be eligible to make a Deferral Election during the applicable Election Period for the Plan Year.

4.2 Participation. Each Eligible Employee or Director who makes a Deferral Election or who receives a Discretionary Contribution shall become a Participant in the Plan. In the event a Participant ceases to be an Eligible Employee or Director for a subsequent Plan Year, the Participant shall retain all of the Participant's rights under the Plan, except the Participant shall not be permitted to receive a Discretionary Contribution or to make a Deferral Election for the Plan Year.

Section 5. Deferral Elections

5.1 Deferral Election. An Eligible Employee or Director may elect to defer Compensation by completing a Deferral Election, in the manner and form and subject to and in accordance with applicable requirements and procedures established by the Plan Committee, during the Election Period for a Plan Year. The Deferral Election must specify:

(a) The amount or percentage of Salary and/or Bonus, or, in the case of a Director, the amount or percentage of Director Fees, to be deferred by the Participant and whether the Participant wishes to defer any 401(k) Refund for the Plan Year;

(b) The Distribution Date, if any, and the form of payment (in a lump sum or installments) on each applicable Payment Event for the Participant's Deferral for the Plan Year;

(c) In the case of a Participant's initial Deferral Election under the Plan, whether the Participant wishes to receive payment of the balance of the Participant's Account upon a Change in Control, and the form of any such payment upon a Change in Control; and

(d) In the case of a Participant's initial Deferral Election under the Plan, the percentage of the Participant's Account allocated to each Measurement Fund available to the Participant under the Plan.

A Participant may elect to defer up to seventy-five percent (75%) of the Participant's Salary and up to one hundred percent (100%) of the Participant's Bonus or Director Fees for a Plan Year.

Except as otherwise provided by the Plan Committee, a Participant may elect to receive payment in two or more annual installments over a period not to exceed twelve (12) years, in the case of payment on the Participant's Separation from Service, or five (5) years, in the case of payment on a specified Distribution Date or Change in Control. If a Participant's Deferral Election fails to specify the form of payment with respect to any payment, the form and method shall be a single lump sum. If permitted by and subject to and in accordance with the requirements and procedures established by the Plan Committee, a Participant's Deferral Election may specify one or more separate payment elections to apply to each component of Compensation or to a specified percentage or dollar amount of the Deferral elected by the Participant for a Plan Year.

5.2 Election Period.

(e) General Rule. The Plan Committee shall establish one or more Election Periods during which Deferral Elections must be made by each Participant or Eligible Employee or Director for a Plan Year. Except as otherwise provided in this Section 5.2, the Election Period shall end, and the Participant's, or Eligible Employee or Director's, Deferral Election shall become irrevocable, not later than the last day of the Plan Year immediately preceding the Plan Year to which the Deferral Election relates.

(f) New Participants. In the case of an Eligible Employee or Director who first becomes eligible to participate in the Plan (as determined in accordance with Treasury Regulations Section 1.409A-2(a)(7)(ii) and the "plan aggregation" rules provided in Treasury Regulations Section 1.409A-1(c)(2)) during a Plan Year, or, for the initial Plan Year, the Plan Committee may permit a Deferral Election to be made for the Plan Year with respect to the portion of Compensation attributable to the services to be performed after the date of the election during the Plan Year, as determined by the Plan Committee, *provided* that, in any such case, the Election Period shall end, and the Deferral Election shall become irrevocable, not later than thirty (30) days after the Eligible Employee or Director first becomes eligible to participate in the Plan.

(g) Performance-Based Compensation. Notwithstanding the other provisions of this Section 5.2, in the case of any Bonus that constitutes Performance-Based Compensation for a Plan Year, the Plan Committee may permit a Participant to subsequently change the Participant's Deferral Election or submit a new Deferral Election in accordance with this Section 5, *provided* that the Election Period for such Deferral Election or change in Deferral Election shall end, and the Deferral Election shall become irrevocable, not later than six months before the end of the Plan Year for which the Bonus is earned and in no event later than the date on which the amount of the Bonus becomes readily ascertainable.

5.1 Subsequent Elections. If permitted by and subject to and in accordance with the requirements and procedures established by the Plan Committee, a Participant may make an election to change the form of payment of Deferrals subject to an existing Deferral Election and to postpone the payment of Deferrals to be paid on a specified Distribution Date until a later Distribution Date, in whole or in part (a "**Subsequent Election**"), *provided* that all of the following requirements are met:

(h) The Subsequent Election shall not take effect until at least twelve (12) months after the date on which the Subsequent Election is made;

(i) The payment of the Deferrals subject to the Subsequent Election shall be deferred at least five (5) years from the date the payment would otherwise have been made; and

(j) In the case of a Subsequent Election related to a payment on a specified Distribution Date, the Subsequent Election shall be made not less than twelve (12) months before the original Distribution Date.

Section 6. Discretionary Contributions

In any Plan Year, the Company may, but shall not have any obligation to, make a Discretionary Contribution to the Plan on behalf of a Participant in such amount as the Company shall determine in its sole and absolute discretion. Any Discretionary Contribution shall be credited to the Participant's Account on or as soon as practicable following the date the Company awards the Discretionary Contribution to the Participant or as otherwise provided by the Company pursuant to the terms of the award. Discretionary Contributions shall be credited and debited with notional investment earnings and losses in accordance with Measurement Funds designated by the Company or the Plan Committee, or if permitted by the terms of the Discretionary Contribution, selected by the Participant in accordance with the procedures established by the Plan Committee. If no Measurement Fund is selected for a Discretionary Contribution, the notional investment earnings and losses shall be determined *pro rata* based on the Measurement Funds selected by the Participant for the elective Deferrals credited to the Participant's Account. Unless otherwise determined by the Plan Committee at the time the Participant is awarded the Discretionary Contribution, distributions of any Discretionary Contributions credited to a Participant's Account for any Plan Year shall be paid in the same time and manner as any Elective Deferrals credited to the Participant's Account for the same Plan Year or as otherwise provided in accordance with Section 8. Participants shall be vested in the portions of their Accounts attributable to Discretionary Contributions, including the notional investment earnings and losses thereon, in accordance with Section 7.4 and the vesting and other conditions established pursuant to the terms of the Discretionary Contribution award.

Section 7. Participant Accounts

7.1 Participant Accounts. The Company shall establish and maintain an Account for each Participant reflecting the Deferrals and Discretionary Contributions credited for the benefit of the Participant, together with the credits and debits reflecting notional investment earnings and losses and payments from such Account. The Company may establish subaccounts within each Participant's Account for different Plan Years, multiple Distribution Dates or payments elections or as the Plan Committee may deem necessary or desirable for proper administration of the Plan. Accounts (including any subaccounts) shall be maintained for bookkeeping purposes only and shall not hold any assets or funds.

7.2 Notional Investment. The Plan Committee shall designate the Measurement Funds to be made available to Participants for the deemed investment of and the basis for crediting the equivalent of earnings and losses to their Accounts under the Plan. The Plan Committee may change, discontinue, or add to the Measurement Funds made available under the Plan at any time, from time to time and in its sole discretion and establish procedures for the transition between Measurement Funds. A Participant may select the Measurement Funds for their Account in the Participant's initial Deferral Election or upon becoming a Participant in the Plan and/or may make changes to their selections at such times and in accordance with the procedures and subject to such restrictions and limitations as may be established by the Plan Committee from time to time. In the event that a Participant does not make a valid Measurement Fund selection, or the Participant's prior selection is no longer valid, the default Measurement Fund established by the Plan Committee shall apply. The Company shall have no obligation to make or to hold actual investments corresponding to the Measurement Funds for Participants' Accounts.

7.3 Earnings and Losses. Each Account shall be credited or debited for notional earnings or losses based on the net investment return of the Measurement Funds selected. Earnings and losses shall be computed on each Valuation Date in accordance with the processes and procedures determined by the Plan Committee and, for purposes of any payment from a Participant's Account, the Account shall be valued and the amount paid shall be determined in accordance with the rules established by the Plan Committee as of a Valuation Date coinciding with or next preceding the date on which the payment is made. Amounts credited to Accounts as elective Deferrals and Discretionary Contributions shall be credited to the applicable Measurement Funds as of the dates determined in accordance with the procedures established by the Plan Committee. The notional value corresponding to a Measurement Fund at any Valuation Date shall be based on the fair market value of a corresponding interest in the Measurement Fund, as determined by the Plan Committee in its sole discretion. All dividends, interest, gains, and distributions of any nature that would be earned on a notional Measurement Fund investment shall be credited to the Account as though reinvested in additional shares of or other units of the applicable Measurement Fund and expenses that would be attributable to such investments shall be charged to the Account.

7.4 Vesting. Participants shall be at all times one hundred percent (100%) vested in the portion of their Account attributable to their elective Deferrals, including amounts credited or debited on such amounts in accordance with Section 7.3, and shall be vested in the portion of their Accounts attributable to Discretionary Contributions, including credits or debits on such amounts, in accordance with the schedule and other conditions established by the Company pursuant to the terms of the Discretionary Contribution award, *provided* that, to the extent then unvested, a Participant's Account shall fully vest upon the occurrence of the Participant's death or Disability or the occurrence of the Participant's Separation from Service within twelve (12) months following the effective date of a Change in Control for reasons other than Cause and, *provided further*, that any portion of a Participant's Account attributable to Discretionary Contributions shall be forfeited by the Participant upon the occurrence of an event constituting Cause.

Section 8. Distributions

8.1 Payment Event. In general, distribution of a Participant's Account, or the portion of the Account specified in the applicable Deferral Election or the terms of a Discretionary Contribution shall be made or shall commence (if the distribution is in installments) on the earliest to occur of the following dates or events (the "**Payment Event**"):

(a) If elected by the Participant in accordance with Section 5.1, the Distribution Date specified in the applicable Deferral Election;

(b) The Participant's Separation from Service;

(c) The Participant's death;

(d) The Participant's Disability; and

(e) If elected by the Participant in the Participant's initial Deferral Election in accordance with Section 5.1, the occurrence of a Change in Control.

Subject to the other provisions of this Section 8, distribution of the portion of the Participant's Account payable on a Payment Event shall be made or shall commence within ninety (90) days following occurrence of the Payment Event. If the distribution is in installments, the amount of each installment shall be determined (at commencement and annually thereafter) by dividing the portion of the Participant's Account subject to such installment distribution by the total number of installments (including the installment subject to the determination) remaining to be paid. Annual installment payments subsequent to the initial installment shall be made on or following January 1, but not later than the end of, each succeeding Plan Year, *provided* that a Participant may elect to receive such installment payments on a quarterly or monthly basis, if permitted by and subject to and in accordance with the requirements and procedures established by the Plan Committee and otherwise subject to the requirements of Section 409A of the Code.

8.2 Specified Employees. Notwithstanding anything in the Plan to the contrary, if a Participant is a Specified Employee as of the date of the Participant's Separation from Service, then no distribution from such Participant's Account upon the Participant's Separation from Service shall be made (or shall commence) until the first payroll date of the seventh month following the Participant's Separation from Service or, if earlier, upon the date of the Participant's death (the "**Specified Employee Payment Date**"). Any payments to which a Specified Employee otherwise would have been entitled under the Plan upon (or commencing upon) the Participant's Separation from Service during the period between the Participant's Separation from Service and the Specified Employee Payment Date shall be accumulated and paid in a lump-sum payment on the Specified Employee Payment Date.

8.3 Other Distributions. Notwithstanding the provisions of Sections 8.1 and 8.2, the Plan Committee may provide for other distributions of Participants' Accounts as set forth below:

(f) Unforeseeable Emergency. The Plan Committee may authorize the distribution of all or a portion of a Participant's Account upon the occurrence of an Unforeseeable Emergency, in accordance with and subject to the requirements and procedures established by the Plan Committee and otherwise subject to the requirements of Treasury Regulations Section 1.409A-3(i)(3).

(g) Domestic Relations Order. The Plan Committee may provide for a distribution from a Participant's Account to the extent necessary to comply with a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).

(h) Plan Termination. The Plan Committee may accelerate payment of a Participant's Account upon termination of the Plan in accordance with and subject to the provisions of Treasury Regulations Section 1.409A-3(j)(4)(ix).

(i) Limited Cash Out. If the balance of a Participant's Account is less than or equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code, the Plan Committee may accelerate payment of a Participant's Account in single, lump sum, in accordance with and subject to the provisions of Treasury Regulations Section 1.409A-3(j)(4)(v).

(j) Acceleration for Taxes. The Plan Committee may accelerate payment of all or a portion of a Participant's Account for the payment of Federal Insurance Contributions Act (FICA) tax, as a result of income inclusion under Section 409A of the Code, or to reflect state, local and foreign tax obligations in accordance with and subject to the provisions of Treasury Regulations Sections 1.409A-3(j)(4)(vi), (vii) and (xi).

(k) Other Accelerations. The Plan Committee may accelerate the payment of all or a portion of a Participant's Account in accordance with and subject to the other provisions of Treasury Regulations Section 1.409A-3(j)(4) or as otherwise permitted without violating the prohibition on the acceleration of payments or other requirements of Section 409A of the Code.

8.1 Payment Delays. The Plan Committee may delay any payment under the Plan to a date later than the date on which payment would otherwise be required under the Plan, subject to the applicable conditions set forth in Treasury Regulations Section 1.409A-2(b)(7)(i) and (ii), in the event that the Plan Committee reasonably anticipates that, if the payment were made when otherwise required under the Plan, the deduction with respect to such payment would not be permitted due to the application of Section 162(m) of the Code, or that the making of the payment would violate Federal securities laws or other applicable law. Furthermore, the Plan Committee may provide for a delay upon the occurrence of a Change in Control, subject to the requirements of Treasury Regulations Section 1.409A-3(i)(5)(iv), or upon such other events and conditions as may be prescribed in accordance with Treasury Regulations Section 1.409A-2(b)(7)(iii), or as may be otherwise permitted without violating the requirements of Section 409A of the Code.

Section 9. Trust

The Company shall establish a grantor trust to assist in carrying out its obligations under the Plan, the assets of which shall at all times remain subject to the claims of the general creditors of the Company and any Participating Employer in the event of the Company or Participating Employer's insolvency, until payment to the Participants and their Beneficiaries of the entire balances of their Accounts as specified in the Plan.

Section 10. Amendment and Termination

The Board may, at any time, and in its discretion, alter, amend, modify, suspend or terminate the Plan or any portion thereof, and with respect to all or a designated group of Participants; *provided, however,* that no such amendment, modification, suspension or termination shall, without the consent of a Participant, reduce amounts credited to or accrued in the Participant's Account. In the event of a termination of the Plan, no new Deferral Elections or Discretionary Contributions shall be permitted by or for Participants affected by the termination, *provided* that the Accounts of such Participants shall continue to be credited with elective deferrals attributable to a Deferral Election that was in effect prior to the Plan termination, to the extent necessary to comply with Section 409A of the Code, shall continue to be credited or debited with notional earnings and losses in accordance with Section 7 and shall be distributed to the Participant or the Participant's Beneficiary in accordance with Section 8.

Section 11. Miscellaneous

11.1 Tax Withholding. The Company shall have the right to deduct from any amounts otherwise payable under the Plan any federal, state, local, or other applicable taxes required to be withheld.

11.2 Beneficiary Designation. Each Participant under the Plan may from time to time name any Beneficiary or Beneficiaries to receive the Participant's interest in the Plan in the event of the Participant's death. Each designation will revoke all prior designations by the same Participant, shall be in a form reasonably prescribed by the Plan Committee and shall be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a Participant fails to designate a Beneficiary, then the Participant's designated Beneficiary shall be deemed to be the Participant's estate.

11.3 No Service Contract. The terms and conditions of the Plan shall not be deemed to constitute a contract of employment or other service between the Company or any Participating Employer and the Participant. Nothing in the Plan or any instrument or agreement pursuant thereto shall confer upon any Participant any right to continue to serve the Company or any Participating Employer or interfere in any way with the right of the Company or any Participating Employer to terminate the Participant's employment or service at any time with or without notice and with or without cause.

11.4 No Assignment. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey prior to actual payment, the amounts, if any, payable hereunder, or any part thereof.

11.5 General Unsecured Creditor. The Company and any Participating Employer's obligation under the Plan shall be that of a mere unfunded, unsecured promise to pay money in the future, and no Participant or Beneficiary, heir, successor or assign shall have any legal or equitable rights, interests or claims in any property or assets of the Company or any Participating Employer, which shall be general, unsecured assets of the Company or Participating Employer for purposes of the payment of benefits under the Plan.

11.6 "Top Hat" Plan. The Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and shall be administered, interpreted and construed consistent with such intent with respect to participation by current or former Eligible Employees.

11.7 Section 409A. The Plan is intended to meet the requirements of Section 409A of the Code and shall be administered, interpreted and construed consistent with such intent. Notwithstanding the foregoing, the Company makes no representation that the Plan complies with Section 409A of the Code and neither the Company nor any Participating Employer shall have any liability to any Participant or Beneficiary for any failure to comply with Section 409A of the Code.

11.8 Governing Law. The Plan shall be administered, construed and governed in all respects under and by the laws of the State of New York, without reference to the principles of conflicts of law, except and to the extent preempted by ERISA and other applicable Federal law.

11.9 Severability. If any provision of the Plan is held to be invalid, illegal or unenforceable, whether in whole or in part, such provision shall be fully severable and shall be deemed modified to the extent of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected and the Plan shall be construed and enforced as if such illegal or invalid provisions had not been included therein.

11.10 Headings and Subheadings. Headings and subheadings in the Plan are for convenience only and are not to be considered in the construction of the provisions hereof.

EXHIBIT 31.1

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 25, 2022	By:	/s/ Paul Hennessy
		Paul Hennessy
		Chief Executive Officer
		(Principal Executive Officer)

EXHIBIT 31.2

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 25, 2022

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

EXHIBIT 32

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, 2022 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 25, 2022	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, 2022 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 25, 2022	By:	/s/ Jarrod Yahes
		Jarrod Yahes
		Chief Financial Officer
		(Principal Financial Officer)