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 March 31, 2021

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 and posted 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 April 23, 2021, 36,555,123 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 March 31, 2021

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, including statements regarding guidance, industry prospects or future results of operations or financial position, are forward-looking. Examples of forward-looking statements include, but are not limited to, statements regarding future business, future results of operations or financial condition, future dividends, new or planned features, products or services, management strategies and the COVID-19 pandemic. You can identify many forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "aim," "anticipate," "believe," "estimate," "intend," "plan" and other similar expressions. However, not all forward-looking statements contain these words. Forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in 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, or the SEC, on February 11, 2021 (our "2020 Form 10-K"), under the caption "Risk Factors" and in our consolidated financial statements, related notes, and the other information appearing elsewhere in such Annual Report, 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 these forward-looking statements. We do not intend, and, except as required by law, we undertake no obligation, to update any of our forward-looking statements 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," "Shutterstock Select," "Asset Assurance," "Offset," "Bigstock," "Rex Features," "PremiumBeat," "TurboSquid" 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)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 363,926	$ 428,574
Accounts receivable, net of allowance of $5,487 and $4,942	49,261	43,846
Prepaid expenses and other current assets	27,401	16,650
Total current assets	440,588	489,070
Property and equipment, net	50,366	50,906
Right-of-use assets	37,908	39,552
Intangible assets, net	45,762	25,765
Goodwill	149,040	89,413
Deferred tax assets, net	10,156	13,566
Other assets	21,324	21,372
Total assets	$ 755,144	$ 729,644
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,088	$ 2,442
Accrued expenses	65,453	67,909
Contributor royalties payable	28,228	26,336
Deferred revenue	153,630	149,843
Other current liabilities	11,924	10,399
Total current liabilities	265,323	256,929
Lease liabilities	40,062	41,620
Other non-current liabilities	9,255	9,170
Total liabilities	314,640	307,719
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 39,010 and 38,803 shares issued and 36,452 and 36,245 shares outstanding as of March 31, 2021 and December 31, 2020, respectively	391	389
Treasury stock, at cost; 2,558 shares as of March 31, 2021 and December 31, 2020	(100,027)	(100,027)
Additional paid-in capital	357,422	360,939
Accumulated comprehensive loss	(7,455)	(7,681)
Retained earnings	190,173	168,305
Total stockholders' equity	440,504	421,925
Total liabilities and stockholders' equity	$ 755,144	$ 729,644

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue	$ 183,281	$ 161,285
Operating expenses:		
Cost of revenue	61,832	69,123
Sales and marketing	41,921	42,660
Product development	10,731	13,069
General and administrative	30,679	30,652
Total operating expenses	145,163	155,504
Income from operations	38,118	5,781
Other (expense) / income, net	(2,462)	513
Income before income taxes	35,656	6,294
Provision for income taxes	6,142	1,976
Net income	$ 29,514	$ 4,318
Earnings per share:		
Basic	$ 0.81	$ 0.12
Diluted	$ 0.79	$ 0.12
Weighted average shares outstanding:		
Basic	36,336	35,521
Diluted	37,249	35,882

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2021	2020
Net income	$ 29,514	$ 4,318
Foreign currency translation gain / (loss)	226	(2,448)
Other comprehensive gain / (loss)	226	(2,448)
Comprehensive income	$ 29,740	$ 1,870

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 March 31, 2021	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	38,803	$ 389	2,558	$ (100,027)	$ 360,939	$ (7,681)	$ 168,305	$ 421,925
Equity-based compensation	—	—	—	—	8,210	—	—	8,210
Issuance of common stock in connection with employee stock option exercises and RSU vesting	357	4	—	—	1,305	—	—	1,309
Common shares withheld for settlement of taxes in connection with equity-based compensation	(150)	(2)	—	—	(13,032)	—	—	(13,034)
Cash dividends paid	—	—	—	—	—	—	(7,646)	(7,646)
Other comprehensive income	—	—	—	—	—	226	—	226
Net income	—	—	—	—	—	—	29,514	29,514
Balance at March 31, 2021	39,010	$ 391	2,558	$ (100,027)	$ 357,422	$ (7,455)	$ 190,173	$ 440,504
Three Months Ended March 31, 2020								
Balance at December 31, 2019	38,055	$ 381	2,558	$ (100,027)	$ 312,824	$ (6,220)	$ 121,187	$ 328,145
Cumulative effect of accounting change (Note 1)	—	—	—	—	—	—	(247)	(247)
Balance at January 1, 2020	38,055	$ 381	2,558	$ (100,027)	$ 312,824	$ (6,220)	$ 120,940	$ 327,898
Equity-based compensation	—	—	—	—	5,760	—	—	5,760
Issuance of common stock in connection with employee stock option exercises and RSU vesting	109	1	—	—	(1)	—	—	—
Common shares withheld for settlement of taxes in connection with equity-based compensation	(45)	(1)	—	—	(1,760)	—	—	(1,761)
Cash dividends paid	—	—	—	—	—	—	(6,040)	(6,040)
Other comprehensive loss	—	—	—	—	—	(2,448)	—	(2,448)
Net income	—	—	—	—	—	—	4,318	4,318
Balance at March 31, 2020	38,119	$ 381	2,558	$ (100,027)	$ 316,823	$ (8,668)	$ 119,218	$ 327,727

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 29,514	$ 4,318
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,091	10,519
Deferred taxes	(433)	(386)
Non-cash equity-based compensation	8,210	5,760
Bad debt expense	526	658
Changes in operating assets and liabilities:		
Accounts receivable	(5,892)	673
Prepaid expenses and other current and non-current assets	(9,306)	(2,207)
Accounts payable and other current and non-current liabilities	(72)	(2,286)
Long-term incentives related to acquisitions	—	(7,759)
Contributor royalties payable	(369)	551
Deferred revenue	3,559	(2,982)
Net cash provided by operating activities	$ 35,828	$ 6,859
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(8,548)	(7,719)
Business combination, net of cash acquired	(72,165)	—
Acquisition of content	(489)	(723)
Security deposit (payment) / release	(11)	31
Net cash used in investing activities	$ (81,213)	$ (8,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	1,309	—
Cash paid related to settlement of employee taxes related to RSU vesting	(13,034)	(1,761)
Payment of cash dividend	(7,646)	(6,040)
Net cash used in financing activities	$ (19,371)	$ (7,801)
Effect of foreign exchange rate changes on cash	108	(810)
Net decrease in cash, cash equivalents and restricted cash	(64,648)	(10,163)
Cash, cash equivalents and restricted cash, beginning of period	428,574	305,874
Cash, cash equivalents and restricted cash, end of period	$ 363,926	$ 295,711
Supplemental Disclosure of Cash Information:		
Cash paid for income taxes	$ 3,363	$ 494

See Notes to Unaudited Consolidated Financial Statements.

(1) Summary of Operations and Significant Accounting Policies

Summary of Operations

Shutterstock, Inc. (the "Company" or "Shutterstock") is a leading creative platform offering full-service solutions, high-quality content, and tools for brands, businesses 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.

The content licensed by the Company's customers includes:

- 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.
- 3D Models - following the Company's acquisition of TurboSquid, Inc. on February 1, 2021, Shutterstock now offers 3D models, used in industries such as advertising, media & video production, gaming, retail, education, design and architecture. See Note 3 Acquisition.

The Company licenses content to its customers. Contributors upload their content to the Company's web properties in exchange for royalty payments based on customer download activity.

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 March 31, 2021, and the Consolidated Statements of Operations, Comprehensive Income, Stockholders' Equity and Cash Flows for the three months ended March 31, 2021 and 2020, are unaudited. The Consolidated Balance Sheet as of December 31, 2020, 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 March 31, 2021, and its consolidated results of operations, comprehensive income, stockholders' equity and cash flows for the three months ended March 31, 2021 and 2020. 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 three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2021 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, 2020 included in the Company's Annual Report on Form 10-K, which was filed with the SEC on February 11, 2021. The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain immaterial changes in presentation have been made to conform the prior period presentation to current period reporting.

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

Use of Estimates

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

Cash and Cash Equivalents

The Company's cash and cash equivalents consist primarily of cash on hand, bank deposits, money market funds and commercial paper.

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 three months ended March 31, 2021, the Company recorded bad debt expense of $0.5 million. As of March 31, 2021 and December 31, 2020, the Company's allowance for doubtful accounts was approximately $5.5 million and $4.9 million, respectively. The allowance for doubtful accounts is included as a reduction of accounts receivable on the Consolidated Balance Sheets.

The Company adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments* ("ASU 2016-13") on January 1, 2020, using the modified retrospective method and recorded a cumulative-effect adjustment of $0.2 million, net of tax, in retained earnings as of January 1, 2020.

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 March 31, 2021 and December 31, 2020, the Company's combined allowance for chargebacks and sales refunds was $0.5 million, which was included as a component of other current liabilities on the Consolidated Balance Sheets.

Revenue Recognition

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

The Company recognizes revenue upon the satisfaction of performance obligations, which generally occurs when content is downloaded by a customer. The Company recognizes revenue on both its subscription-based and transaction-based products when content is downloaded, at which time the license is provided. In addition, management estimates expected unused licenses for subscription-based products and recognizes the estimated 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. 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 an electronic payment with a credit card at the time of a 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.

Recently Adopted Accounting Standard Updates

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes* ("ASU-2019-12"). ASU 2019-12 eliminates certain exceptions to the guidance in Topic 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes, enacted changes in tax laws or rates and clarifies the accounting transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. The Company adopted ASU 2019-12, effective January 1, 2021. The impact of adoption of this standard on the consolidated financial statements, including accounting policies, processes and systems, was not material.

(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 March 31, 2021 or December 31, 2020, except as noted below.

Cash Equivalents

Cash equivalents include money market accounts and short-term commercial paper 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 March 31, 2021 and December 31, 2020, the Company had cash equivalent balances of $255.0 million and $250.0 million, respectively.

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. 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 March 31, 2021 and December 31, 2020, the Company's long-term investments are in equity securities with no readily determinable fair value, totaled $20.0 million, and is 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 March 31, 2021, 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) Acquisition

TurboSquid, Inc.

On February 1, 2021, the Company completed its acquisition of all of the outstanding shares of TurboSquid, Inc. (“TurboSquid”), for approximately $77.3 million, subject to customary working capital adjustments. The transaction was accounted for using the acquisition method and, accordingly, the results of the acquired business have been included in the Company’s results of operations from the acquisition date. In connection with the acquisition, the Company incurred approximately $1.6 million of transaction costs.

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 fair value of consideration transferred in this business combination was allocated to the intangible and tangible assets acquired and liabilities assumed at the acquisition date, with the remaining unallocated amount recorded as goodwill.

The total purchase price was paid with existing cash on hand in the three months ended March 31, 2021, subject to working capital adjustments which are expected to be settled during the second quarter of 2021. The Company is in the process of finalizing the working capital adjustments. Accordingly, management has used their best estimate in the initial purchase price allocation as of the date of these financial statements.

The aggregate purchase price was allocated to the assets acquired and liabilities assumed as follows (in thousands):

Assets acquired and liabilities assumed:	**Fair Value at Acquisition Date**
Cash and cash equivalents	$ 5,165
Other assets	1,553
Property and equipment	472
Intangible assets	21,500
Goodwill	59,491
Total assets acquired	$ 88,181
Accounts payable, accrued expenses and other liabilities	(4,685)
Contributor royalties payable	(2,243)
Deferred tax liability	(3,923)
Total liabilities assumed	(10,851)
Net assets acquired	$ 77,330

The identifiable intangible assets, which include customer relationships, developed technology, trade names and contributor content, have a weighted average life of approximately 8.2 years and 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 goodwill arising from the transaction is primarily attributable to expected operational synergies and is not deductible for income tax purposes.

The following unaudited pro forma consolidated financial information (in thousands) reflects the results of operations of the Company for the three months ended March 31, 2021 and 2020, as if the TurboSquid acquisition had been completed on January 1, 2020, after giving effect to certain purchase accounting adjustments, primarily related to intangible assets. 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 March 31,	
	2021	2020
Revenue		
As Reported	$ 183,281	$ 161,285
Pro Forma	185,344	166,723
Income before income taxes		
As Reported	$ 35,656	$ 6,294
Pro Forma	36,957	4,841

(4) Property and Equipment

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

	As of March 31, 2021	As of December 31, 2020
Computer equipment and software	$ 200,493	$ 193,141
Furniture and fixtures	10,245	10,235
Leasehold improvements	19,368	19,382
Property and equipment	230,106	222,758
Less accumulated depreciation	(179,740)	(171,852)
Property and equipment, net	$ 50,366	$ 50,906

Depreciation and amortization expense related to property and equipment was $8.0 million and $9.3 million for the three months ended March 31, 2021 and 2020, respectively. Of these amounts, $7.1 million and $8.2 million are included in cost of revenue for the three months ended March 31, 2021 and 2020, respectively, and $0.9 million and $1.1 million are included in general and administrative expense for the three months ended March 31, 2021 and 2020, respectively.

Depreciation and amortization expense is included in cost of revenue and general and administrative expense in the Consolidated Statements of Operations based on the nature of the asset being depreciated.

Capitalized Internal-Use Software

The Company capitalized costs related to the development of internal-use software of $7.0 million and $6.6 million for the three months ended March 31, 2021 and 2020, 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 $6.7 million and $7.2 million for the three months ended March 31, 2021 and 2020, respectively. Depreciation expense related to capitalized internal-use software is included in cost of revenue and general and administrative expense in the Consolidated Statements of Operations based on the nature of the asset.

As of March 31, 2021 and December 31, 2020, the Company had capitalized internal-use software of $38.3 million and $38.0 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 three months ended March 31, 2021.

The following table summarizes the changes in the carrying value of the Company's goodwill balance during the three months ended March 31, 2021 (in thousands):

	Goodwill
Balance as of December 31, 2020	$ 89,413
Goodwill related to acquisitions	$ 59,491
Foreign currency translation adjustment	136
Balance as of March 31, 2021	$ 149,040

Intangible Assets

Intangible assets, all of which are subject to amortization, consisted of the following as of March 31, 2021 and December 31, 2020 (in thousands):

	As of March 31, 2021				As of December 31, 2020		
	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	$ 27,258	$ (11,601)	$ 15,657	9	$ 18,132	$ (11,032)	$ 7,100
Trade name	8,917	(6,469)	2,448	8	6,669	(6,328)	341
Developed technology	14,757	(5,519)	9,238	4	6,930	(5,039)	1,891
Contributor content	29,706	(11,426)	18,280	8	26,669	(10,378)	16,291
Patents	259	(120)	139	18	259	(117)	142
Total	$ 80,897	$ (35,135)	$ 45,762		$ 58,659	$ (32,894)	$ 25,765

Amortization expense was $2.1 million and $1.2 million for the three months ended March 31, 2021 and 2020, respectively. Of these amounts, $1.2 million and $0.6 million are included in cost of revenue for the three months ended March 31, 2021 and 2020, respectively, and $0.9 million and $0.6 million are included in general and administrative expense for the three months ended March 31, 2021 and 2020, respectively.

The Company determined that there was no indication of impairment of the intangible assets for any period presented. Estimated amortization expense is: $6.6 million for the remaining nine months of 2021, $8.6 million in 2022, $8.2 million in 2023, $7.3 million in 2024, $3.9 million in 2025, $2.8 million in 2026 and $8.4 million thereafter.

(6) Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	As of March 31, 2021	As of December 31, 2020
Compensation	$ 21,311	$ 31,499
Non-income taxes	20,630	17,164
Website hosting and marketing fees	12,484	9,991
Other expenses	11,028	9,255
Total accrued expenses	$ 65,453	$ 67,909

(7) Stockholders' Equity and Equity-Based Compensation

Stockholders' Equity

Common Stock

The Company issued approximately 207,000 and 64,000 shares of common stock during the three months ended March 31, 2021 and 2020, 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. During the three months ended March 31, 2021 and 2020, the Company did not repurchase any shares of its common stock under the share repurchase program. As of March 31, 2021, the Company had $100 million of remaining authorization for purchases under the share repurchase program.

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.

Dividends

The Company declared and paid cash dividends of $0.21 per share of common stock, or $7.6 million, during the three months ended March 31, 2021.

On April 19, 2021, the Company's Board of Directors declared a quarterly cash dividend of $0.21 per share of outstanding common stock payable on June 17, 2021 to stockholders of record at the close of business on June 3, 2021. 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 payment awards, including employee Restricted Stock Units and Performance-based Restricted Stock Units ("PRSUs" and, collectively with Restricted Stock Units, "RSUs") and stock options granted under the Company's Amended and Restated 2012 Omnibus Equity Incentive Plan (the "2012 Plan"), based on the fair value of each award on the grant date.

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 months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,	
	2021	2020
Cost of revenue	$ 164	$ 51
Sales and marketing	467	460
Product development	1,229	1,125
General and administrative	6,350	4,124
Total	$ 8,210	$ 5,760

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 months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,	
	2021	2020
Stock options	$ 175	$ 1,316
RSUs	8,035	4,444
Total	$ 8,210	$ 5,760

Stock Option Awards

During the three months ended March 31, 2021, no options to purchase shares of its common stock were granted. As of March 31, 2021, there were approximately 325,000 options vested and exercisable with a weighted average exercise price of $33.29. As of March 31, 2021, the total unrecognized compensation charge related to non-vested options was approximately $1.4 million, which is expected to be recognized through 2023.

Restricted Stock Unit Awards

During the three months ended March 31, 2021, the Company had RSU grants, net of forfeitures, of approximately 92,000. As of March 31, 2021, there are approximately 1,169,000 non-vested RSUs outstanding with a weighted average grant-date fair value of $42.70. As of March 31, 2021, the total unrecognized non-cash equity-based compensation charge related to the non-vested RSUs was approximately $30.4 million, which is expected to be recognized through 2024.

During the three months ended March 31, 2021, shares of common stock with an aggregate value of $13.0 million were withheld upon vesting of RSUs and paid in connection with related remittance of employee withholding taxes to taxing authorities.

On April 1, 2021, the Company granted approximately 350,000 RSUs with a grant date fair value of $31.4 million.

(8) Revenue

The Company distributes its content offerings through two primary channels:

E-commerce: The majority of the Company’s customers license content directly through the Company’s self-service web properties. E-commerce customers have the flexibility to purchase a subscription plan that is paid on a monthly or annual basis or 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 months ended March 31, 2021 and 2020 are as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
E-commerce	$ 118,400	$ 99,736
Enterprise	64,881	61,549
Total Revenues	$ 183,281	$ 161,285

The March 31, 2021 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. $64.4 million of total revenue recognized for the three months ended March 31, 2021 was reflected in deferred revenue as of December 31, 2020.

(9) Other (Loss) / Income, 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 months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,	
	2021	2020
Foreign currency loss	$ (2,510)	$ (598)
Interest income, net	48	1,111
Total other (loss) / income	$ (2,462)	$ 513

(10) Income Taxes

The Company's effective tax rates yielded a net expense of 17.2% and 31.4% for the three months ended March 31, 2021 and 2020, respectively. For the three months ended March 31, 2021, net effect of discrete items decreased the effective tax rate by 1.8%. Excluding these items, the Company's effective tax rate would have been 19.0% for the three months ended March 31, 2021.

For the three months ended March 31, 2020, the effective tax rate increased by 9.9%, primarily as a result of a loss jurisdiction with no tax benefit. Excluding these items, the Company's effective tax rate would have been 21.5% for the three months ended March 31, 2020.

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 months ended March 31, 2021 and 2020, uncertain tax positions recorded by the Company were not material. 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 material for the three months ended March 31, 2021 and 2020.

During the three months ended March 31, 2021 and 2020, the Company paid net cash taxes of $3.4 million and $0.5 million, respectively.

(11) 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 months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,	
	2021	2020
Net income	$ 29,514	$ 4,318
Shares used to compute basic net income per share	36,336	35,521
Dilutive potential common shares		
Stock options	224	67
Unvested restricted stock awards	689	294
Shares used to compute diluted net income per share	37,249	35,882
Basic net income per share	$ 0.81	$ 0.12
Diluted net income per share	$ 0.79	$ 0.12
Dilutive shares included in the calculation	1,436	856
Anti-dilutive shares excluded from the calculation	18	1,144

(12) Geographic Information

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

	Three Months Ended March 31,	
	2021	2020
North America	$ 64,309	$ 57,018
Europe	62,277	53,796
Rest of the world	56,695	50,471
Total revenue	$ 183,281	$ 161,285

The United States, included in North America in the above table, accounted for 32% of consolidated revenue for the three months ended March 31, 2021 and 2020. 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 March 31, 2021	As of December 31, 2020
North America	$ 43,010	$ 43,451
Europe	7,132	7,192
Rest of the world	224	263
Total long-lived tangible assets	$ 50,366	$ 50,906

The United States, included in North America in the above table, accounted for 76% and 75% of total long-lived tangible assets as of March 31, 2021 and December 31, 2020, respectively. No other country accounts for more than 10% of the Company’s long-lived tangible assets in any period presented.

(13) Commitments and Contingencies

As of March 31, 2021, the Company had total non-lease obligations in the amount of approximately $48.8 million, which consisted primarily of minimum royalty guarantees and unconditional purchase obligations related to contracts for infrastructure and other business services. As of March 31, 2021, the Company's non-lease obligations for the remainder of 2021 and for the years ending December 31, 2022, 2023, 2024 and 2025 were approximately $24.3 million, $12.5 million, $8.0 million, $3.2 million and $0.8 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 March 31, 2021, 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 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 together with our interim consolidated unaudited 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 2020 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 2020 Form 10-K for additional discussion of the risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements.

For a discussion as to how COVID-19 has affected our business, see "COVID-19 Update" below.

Overview and Recent Developments

Shutterstock is a leading global creative platform offering full-service solutions, high-quality content, and tools for brands, businesses 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.

The content licensed by our customers includes:

- 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.
- 3D Models - following our acquisition of TurboSquid, Inc. ("TurboSquid") on February 1, 2021, we now offer 3D models, used in industries such as advertising, media & video production, gaming, retail, education, design and architecture.

For customers seeking specialized solutions, we also create custom, on-brand content by matching our global contributor network to the unique needs of our customers. This solution allows us to offer customers a fast and scalable way to produce cost-effective content that is in line with the visual footprint of their brand. We typically offer a royalty-free non-exclusive license and the processes we maintain to properly license content and the indemnification protections we provide, allow individuals and businesses of all sizes, including media agencies, publishers, production companies and creative service providers, to confidently utilize such content for their unique commercial or editorial needs.

Over 2.0 million active, paying customers contributed to our revenue for the twelve-month period ended March 31, 2021. As of March 31, 2021, more than 1.7 million approved contributors made their images, footage and music tracks available in our collection, which has grown to more than 370 million images and more than 21 million footage clips as of March 31, 2021. This makes our collection of content one of the largest of its kind, and we delivered 45.8 million paid downloads to our customers across all of our brands during the three months ended March 31, 2021.

Through our platform, we generate revenue by licensing content to our customers. During the three months ended March 31, 2021, 65% 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, including our Shutterstock.com, bigstock.com, premiumbeat.com and turbosquid.com websites. 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, our offering which provides custom, high-quality content matched with production tools and services. Our Enterprise sales channel provided approximately 35% of our revenue for the three months ended March 31, 2021.

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. Our monthly subscriptions provide for a fixed number of content licenses that may be downloaded 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.

COVID-19 Update

In December 2019, a novel coronavirus disease ("COVID-19") was initially reported and on March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Our operations have been impacted by office closures globally and restrictions on employee travel and in-person meetings, however, we have generally been able to deliver our services remotely. We believe the economic uncertainty caused by COVID-19 has had an impact on our customers and their ability to spend marketing budgets on our products, which we believe has resulted in an unfavorable impact, to varying degrees geographically, on our revenue growth and number of paid downloads for the three months ended March 31, 2021. See Item 1A. Risk Factors in our 2020 Form 10-K for further discussion of the possible impact of the COVID-19 pandemic on our business.

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 months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
Subscribers (end of period)	306,000	209,000
Subscriber revenue (in millions)	$ 76.5	$ 63.9
Average revenue per customer (last twelve months)	$ 342	$ 329
Paid downloads (in millions)	45.8	46.8
Revenue per download	$ 3.96	$ 3.42
Content in our collection (end of period, in millions):		
Images	370	330
Footage clips	21	18

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 custom content and downloads of content that are offered to customers for no charge, including our free image of the week. 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 and revenue that is not derived from or associated with content licenses. 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 2020 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 2020 Form 10-K.

Key Components of Our Results of Operations

Revenue

We distribute our content offerings through two primary channels:

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

Enterprise: We also have a base of customers with unique content, licensing and workflow needs. These customers benefit from communication with our dedicated sales 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 months ended March 31, 2021 and 2020 are as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
E-commerce	$ 118,400	$ 99,736
Enterprise	64,881	61,549
Total Revenues	$ 183,281	$ 161,285

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

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 March 31,	
	2021	2020
	(in thousands)	
Consolidated Statements of Operations:		
Revenue	$ 183,281	$ 161,285
Operating expenses:		
Cost of revenue	61,832	69,123
Sales and marketing	41,921	42,660
Product development	10,731	13,069
General and administrative	30,679	30,652
Total operating expenses	145,163	155,504
Income from operations	38,118	5,781
Other (expense) / income, net	(2,462)	513
Income before income taxes	35,656	6,294
Provision for income taxes	6,142	1,976
Net income	$ 29,514	$ 4,318

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

	Three Months Ended March 31,	
	2021	2020
Consolidated Statements of Operations:		
Revenue	100 %	100 %
Operating expenses:		
Cost of revenue	34 %	43 %
Sales and marketing	23 %	26 %
Product development	6 %	8 %
General and administrative	17 %	19 %
Total operating expenses	79 %	96 %
Income from operations	21 %	4 %
Other (expense) / income, net	(1)%	— %
Income before income taxes	19 %	4 %
Provision for income taxes	3 %	1 %
Net income	16 %	3 %

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

Comparison of the Three Months Ended March 31, 2021 and 2020

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

	Three Months Ended March 31,			
	2021	2020	$ Change	% Change
		(in thousands)		
Consolidated Statements of Operations:				
Revenue	$ 183,281	$ 161,285	$ 21,996	14 %
Operating expenses:				
Cost of revenue	61,832	69,123	(7,291)	(11)
Sales and marketing	41,921	42,660	(739)	(2)
Product development	10,731	13,069	(2,338)	(18)
General and administrative	30,679	30,652	27	—
Total operating expenses	145,163	155,504	(10,341)	(7)
Income from operations	38,118	5,781	32,337	559
Other (expense) / income, net	(2,462)	513	(2,975)	*
Income before income taxes	35,656	6,294	29,362	467
Provision for income taxes	6,142	1,976	4,166	211
Net income	$ 29,514	$ 4,318	$ 25,196	584 %

* Percentage change is not meaningful

Revenue

Revenue increased by $22.0 million, or 14%, to $183.3 million in the three months ended March 31, 2021 compared to the same period in 2020. On a constant currency basis, revenue increased approximately 11%, in the three months ended March 31, 2021, compared to the same period in 2020.

The Company's E-commerce revenues increased by 19%, to $118.4 million in the three months ended March 31, 2021, compared to the same period in 2020. On a constant currency basis, the Company's E-commerce revenues increased by 16% in the three months ended March 31, 2021, compared to the same period in 2020. During the three months ended March 31, 2021, growth in our E-commerce sales channel was primarily driven by increased subscriber revenue. E-commerce revenues also benefited from our acquisition of TurboSquid on February 1, 2021.

The Company's Enterprise revenues increased by 5%, to $64.9 million in the three months ended March 31, 2021, compared to the same period in 2020. On a constant currency basis, the Company's Enterprise revenues increased by 3% in the three months ended March 31, 2021, compared to the same period in 2020. During the quarter, the Company has continued to identify and implement changes to respond to market trends including making updates to product offerings and continuously improving our platform. We believe these enhancements impacted our Enterprise sales operations during the period and is one of the drivers of the increased deferred revenue balance as of March 31, 2021.

In addition, we believe our revenue growth for the three months ended March 31, 2021 was unfavorably affected by the global COVID-19 pandemic and its impact on our customers and their ability to spend marketing budgets on our products.

In the three months ended March 31, 2021 and 2020, we delivered 45.8 million and 46.8 million paid downloads, respectively, and our revenue per download was $3.96 and $3.42 for the three months ended March 31, 2021 and 2020, respectively. During the three months ended March 31, 2021, the 2% decrease in the number of paid downloads compared to the same period in 2020, is due to lower customer utilization of our products. We believe that the decline in usage during the quarter is partially attributable to COVID-19.

Changes in our revenue by region were as follows: revenue from North America increased by $7.3 million, or 13%, to $64.3 million, revenue from Europe increased by $8.5 million, or 16%, to $62.3 million and revenue from outside Europe and North America increased by $6.2 million, or 12%, to $56.7 million, in the three months ended March 31, 2021 compared to the same period in 2020.

Costs and Expenses

Cost of Revenue. Cost of revenue decreased by $7.3 million, or 11% to $61.8 million in the three months ended March 31, 2021 compared to the same period in 2020, due to lower royalty expense, content procurement costs and depreciation and amortization expense, partially offset by higher costs associated with hardware and software licenses as well as increased credit card fees. In addition, for the three months ended March 31, 2020, cost of revenue includes severance charges of $1.1 million. The reduction in royalty expense was driven by the 2% decline in paid downloads as well as a modification in the way we compensate contributors. We expect that our cost of revenue will fluctuate in line with changes in revenue and paid downloads.

Sales and Marketing. Sales and marketing expenses decreased by $0.7 million, or 2%, to $41.9 million in the three months ended March 31, 2021 compared to the same period in 2020. As a percent of revenue, sales and marketing expenses decreased to 23% for the three months ended March 31, 2021, from 26% for the same period in 2020. This decrease was primarily driven by a $1.7 million decline in marketing spend as we focused resources on more efficient customer acquisition and improved marketing return on investment. In addition, travel and related expense costs declined by $0.5 million due to travel restrictions resulting from COVID-19. These declines were partially offset by $1.3 million in higher employee-related costs. We expect sales and marketing expenses to fluctuate as we optimize our sales channels and invest in new customer acquisition, products and geographies.

Product Development. Product development expenses decreased by $2.3 million, or 18%, to $10.7 million in the three months ended March 31, 2021 compared to the same period in 2020. This decrease was driven by (i) lower employee and third-party contractor related costs, net of capitalized labor, and (ii) a reduction in software and other IT-related costs, for the three months ended March 31, 2021, 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 remained flat at $30.7 million in the three months ended March 31, 2021 compared to the same period in 2020. During the three months ended March 31, 2021, general and administrative expenses included higher non-cash compensation expense of $2.1 million, attributable to certain performance-based awards, partially offset by a $1.4 million reduction in employee-related costs and other reductions resulting from our ongoing vendor management initiatives. For the three months ended March 31, 2020, general and administrative expenses includes severance charges of $0.7 million.

Other (Expense) / Income, Net. In the three months ended March 31, 2021, other (expense) / income, net substantially consisted of $2.5 million of unfavorable foreign currency fluctuations.

During the three months ended March 31, 2020, approximately $1.1 million of other (expense) / income, net consisted of interest income which was partially offset by $0.6 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 increased by $4.2 million for the three months ended March 31, 2021 as compared to the same period in 2020. Our effective tax rates yielded a net expense of 17.2% and 31.4% for the three months ended March 31, 2021 and 2020, respectively.

For the three months ended March 31, 2021, the net effect of discrete items decreased the effective tax rate by 1.8%. Excluding these items, our effective tax rate would have been 19.0% for the three months ended March 31, 2021.

For the three months ended March 31, 2020, the effective tax rate increased by 9.9%, primarily as a result of a loss jurisdiction with no tax benefit. Excluding these items, our effective tax rate would have been 21.5% for the three months ended March 31, 2020.

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 2020 Form 10-K for further discussion of the possible impact of the COVID-19 pandemic on our business.

Liquidity and Capital Resources

As of March 31, 2021, we had cash and cash equivalents totaling $363.9 million which primarily consisted of bank balances, money market funds and commercial paper. Since inception, we have financed our operations primarily through cash flows generated from operations.

Historically, our principal uses of cash have included funding our operations, capital expenditures, content acquisitions, business combinations that enhance our strategic position, cash dividend payments and share purchases under our share repurchase program. We plan to finance our operations and capital expenses largely through cash generated by our operations. 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 $0.21 per share of common stock, or $7.6 million during the three months ended March 31, 2021.

On April 19, 2021, our Board of Directors declared a quarterly cash dividend of $0.21 per share of outstanding common stock payable on June 17, 2021 to stockholders of record at the close of business on June 3, 2021. 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 March 31, 2021, we have repurchased approximately 2,558,000 shares of our common stock under the share repurchase program at an average per-share cost of $39.09. During the three months ended March 31, 2021, we did not repurchase any shares of our common stock under the share repurchase program. As of March 31, 2021, we had $100 million of repurchase capacity remaining under the share repurchase program.

Equity-Based Compensation

Upon the vesting of restricted stock units ("RSUs"), the Company has 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 three months ended March 31, 2021, shares with an aggregate value of $13.0 million were withheld upon vesting of RSUs and paid in connection with related remittance to taxing authorities.

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. 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 13 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 March 31, 2021.

Cash Flows

The following table summarizes our cash flow data for the three months ended March 31, 2021 and 2020 (in thousands).

	Three Months Ended March 31,	
	2021	**2020**
Net cash provided by operating activities	$ 35,828	$ 6,859
Net cash used in investing activities	$ (81,213)	$ (8,411)
Net cash used in financing activities	$ (19,371)	$ (7,801)

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 $35.8 million for the three months ended March 31, 2021, compared to $6.9 million for the three months ended March 31, 2020. In the three months ended March 31, 2021, operating cash flows were favorably impacted from our increased 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. In addition, the three months ended March 31, 2020 were impacted by $7.8 million in one-time payments associated with long-term incentives related to our 2017 acquisition of Flashstock.

Investing Activities

Cash used in investing activities for the three months ended March 31, 2021 was $81.2 million, consisting primarily of cash used in the acquisition of TurboSquid of $72.2 million, net of cash acquired and capital expenditures of $8.5 million for internal-use software and website development costs and purchases of software and equipment.

Cash used in investing activities in the three months ended March 31, 2020 was $8.4 million, consisting primarily of capital expenditures of $7.7 million for internal-use software and website development costs and purchases of software and equipment, and $0.7 million paid to acquire the rights to distribute certain digital content into perpetuity.

Financing Activities

Cash used in financing activities in the three months ended March 31, 2021 was $19.4 million, consisting primarily of $13.0 million, paid in settlement of tax withholding obligations related to employee stock-based compensation awards and $7.6 million, related to the payment of the quarterly cash dividend. These amounts were partially offset by approximately $1.3 million received from the issuance of common stock in connection with the exercise of stock options.

Cash used in financing activities in the three months ended March 31, 2020 was $7.8 million, consisting primarily of $6.0 million related to the payment of the quarterly cash dividend and $1.8 million, which was paid in settlement of tax withholding obligations related to employee stock-based compensation awards.

Contractual Obligations and Commitments

We lease real estate under operating lease agreements that expire on various dates during the period from 2021 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 $54.9 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. As of March 31, 2020, the Company is no longer required to provide cash collateral for its letter of credit, and, accordingly, these funds are no longer restricted.

Additionally, as of March 31, 2021, aggregate undiscounted future minimum lease payments under other operating leases are approximately $6.9 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 March 31, 2021, our guaranteed royalty payments and unconditional purchase obligations for the remainder of 2021 and for the fiscal years ending December 31, 2022, 2023, 2024 and 2025 were approximately $24.3 million, $12.5 million, $8.0 million, $3.2 million and $0.8 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 March 31,	
	2021	**2020**
Non-GAAP Financial Measures:	**(in thousands)**	
Adjusted EBITDA	$ 56,419	$ 22,060
Adjusted net income	36,636	9,159
Free cash flow	$ 26,791	$ 6,176
Revenue growth on a constant currency basis	11 %	(1)%

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 after excluding the impact of nonrecurring payments associated with long-term incentives related to our 2017 acquisition of Flashstock, 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

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 March 31,	
	2021	2020
	(in thousands)	
Net income	$ 29,514	$ 4,318
Add / (less) Non-GAAP adjustments:		
Depreciation and amortization	10,091	10,519
Non-cash equity-based compensation	8,210	5,760
Other adjustments, net[1]	2,462	(513)
Provision for income taxes	6,142	1,976
Adjusted EBITDA	$ 56,419	$ 22,060
Adjusted EBITDA margin	30.8 %	13.7 %

(1) Included in other adjustments, net is foreign currency transaction gains and losses and interest income and expense.

Adjusted Net Income

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 March 31,	
	2021	2020
	(in thousands)	
Net income	$ 29,514	$ 4,318
Add / (less) Non-GAAP adjustments:		
Non-cash equity-based compensation	8,210	5,760
Tax effect of non-cash equity-based compensation[1]	(1,929)	(1,354)
Acquisition-related amortization expense	1,099	568
Tax effect of acquisition-related amortization expense[1]	(258)	(133)
Adjusted net income	$ 36,636	$ 9,159
Adjusted net income per diluted common share	$ 0.98	$ 0.26

(1) Tax effect reflects the estimated impact of the adjustment on the provision for income taxes.

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 March 31,	
	2021	2020
	(in thousands)	
Reported revenue (in thousands)	$ 183,281	$ 161,285
Revenue growth	*14 %*	*(1)%*
Revenue growth on a constant currency basis	*11 %*	*(1)%*
E-commerce reported revenue (in thousands)	$ 118,400	$ 99,736
E-commerce revenue growth	*19 %*	*2 %*
E-commerce revenue growth on a constant currency basis	*16 %*	*2 %*
Enterprise reported revenue (in thousands)	$ 64,881	$ 61,549
Enterprise revenue growth	*5 %*	*(6)%*
Enterprise revenue growth on a constant currency basis	*3 %*	*(5)%*

Free Cash Flow

We define free cash flow as our cash provided by operating activities, adjusted for capital expenditures and content acquisition, and, with respect to the three months ended March 31, 2020, a payment associated with long-term incentives related to our 2017 acquisition of Flashstock.

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 March 31,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	$ 35,828	$ 6,859
Capital expenditures	(8,548)	(7,719)
Content acquisitions	(489)	(723)
Payments related to long-term incentives related to acquisitions	—	7,759
Free Cash Flow	$ 26,791	$ 6,176

Off-Balance Sheet Arrangements

As of March 31, 2021, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

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 36% for the three months ended March 31, 2021 and 2020. 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 three months ended March 31, 2021, 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 March 31,			
	2021		2020	
	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency
Euro	$ 37,890	€ 31,955	$ 33,692	€ 30,378
British pounds	13,994	£ 10,315	12,203	£ 9,470
All other non-U.S. currencies[(1)]	13,946		11,795	
Total foreign currency	65,830		57,690	
U.S. dollar	117,451		103,595	
Total revenue	$ 183,281		$ 161,285	

(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.

We did not have any long-term borrowings as of March 31, 2021.

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 March 31, 2021. 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 March 31, 2021, 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 acquired TurboSquid, Inc. during the first quarter of 2021 and are in the process of integrating the acquired business 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 2020 Form 10-K, which could materially affect our business, financial condition or future results. During the three months ended March 31, 2021, there were no material changes to these risk factors as described in our 2020 Form 10-K.

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.

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EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1#	Shutterstock, Inc. 2012 Amended and Restated Omnibus Equity Incentive Plan Restricted Stock Unit Award Agreement, for grants subsequent to April 2020.
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: April 27, 2021	By:	/s/ Jarrod Yahes
		Jarrod Yahes
		Chief Financial Officer
		(Principal Financial Officer)
Dated: April 27, 2021	By:	/s/ Steven Ciardiello
		Steven Ciardiello
		Chief Accounting Officer
		(Principal Accounting Officer)

SHUTTERSTOCK, INC.

AMENDED AND RESTATED 2012 OMNIBUS EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

Unless otherwise defined herein, the capitalized terms used in this Restricted Stock Unit Award Agreement (the "***Award Agreement***") shall have the meanings ascribed to them in the Shutterstock, Inc. Amended and Restated 2012 Omnibus Equity Incentive Plan (the "***Plan***").

I. NOTICE OF RESTRICTED STOCK UNIT GRANT

Participant Name: #ParticipantName#

You have been granted an Award of Restricted Stock Units, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Grant Number	#ClientGrantID#
Date of Grant	#GrantDate#
Vesting Commencement Date	#GrantDate#
Number of Restricted Stock Units	#QuantityGranted#
Vesting Schedule	#VestingDateandQuantity#

In the event Participant ceases to be a Service Provider (or gives or is given notice of such termination) for any or no reason before Participant vests in the Restricted Stock Unit, the Restricted Stock Unit and Participant's right to acquire any Shares hereunder, or the cash equivalent of all or some portion of such Shares, as determined by the Administrator in its sole discretion, will immediately terminate.

By Participant's acknowledgment on the Fidelity website and the signature of the representative of Shutterstock, Inc. (the "***Company***") below, Participant and the Company agree that this Award of Restricted Stock Units is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including the Terms and Conditions of Restricted Stock Unit Grant (and any country-specific addendum thereto), attached hereto as Exhibit A, all of which are made a part of this document.

Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Award Agreement. Participant further agrees to notify the Company upon any change in the Participant's residence address.

SHUTTERSTOCK, INC.

Stan Pavlovsky
Chief Executive Officer

EXHIBIT A

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

1. Grant. The Company hereby grants to the individual named in the Notice of Grant attached as Part I of this Award Agreement (the "***Participant***") under the Plan an Award of Restricted Stock Units, subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 18 of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Award Agreement, the terms and conditions of the Plan will prevail.

2. Company's Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share, or the cash equivalent thereof, as determined by the Administrator in its sole discretion, on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in Section 3, Participant will have no right to settlement of any such Restricted Stock Units. Prior to actual settlement of any vested Restricted Stock Units, such Restricted Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Any Restricted Stock Units that vest in accordance with Sections 3 or 4 will be settled in whole Shares, or the cash equivalent of some or all of such Shares, as determined by the Administrator in its sole discretion, subject to Participant satisfying any applicable tax withholding or other obligations as set forth in Section 7. Subject to the provisions of Section 4, such vested Restricted Stock Units will be paid in Shares and/or cash, as determined by the Administrator, as soon as practicable after vesting, but in each such case no later than two and one-half (2½) months from the end of the Company's tax year that includes the vesting date.

3. Vesting Schedule. Except as provided in Section 4, and subject to Section 5, the Restricted Stock Units awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Restricted Stock Units scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs. Service Provider status will end on the day that notice of termination is provided (whether by the Company or Parent or Subsidiary for any reason or by Participant upon resignation) and will not be extended by any notice period that may be required contractually or under applicable local law. Notwithstanding the foregoing, the Administrator (or any delegate) shall have the sole discretion to determine when Participant is no longer providing active service for purposes of Service Provider status and participation in the Plan.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator.

Notwithstanding anything in the Plan or this Award Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death**,** and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the settlement of such accelerated Restricted Stock Units will not occur until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be settled in Shares and/or cash as soon as practicable following his or her death. It is the intent of this Award Agreement to comply with the requirements of Section 409A so that none of the Restricted Stock Units provided under this Award Agreement or Shares and/or cash issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Award

Agreement, "Section 409A" means Section 409A of the Code, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture upon Termination of Status as a Service Provider. Notwithstanding any contrary provision of this Award Agreement, except as set forth in this Section 5, the balance of the Restricted Stock Units that have not vested as of the time notice is provided (whether by Participant or the Company or Parent or Subsidiary) of Participant's termination as a Service Provider for any or no reason and Participant's right to acquire any Shares and/or cash hereunder will immediately terminate. Without limiting the authority set forth in Section 4, and except if otherwise provided in a written employment agreement between the Participant and the Company, if (i) a Change in Control occurs, (ii) the Participant has been a Service Provider for at least twelve (12) months at the time of the effective date of the Change in Control, and (iii) on or within the twelve (12) months following the effective date of the Change in Control, the Participant incurs a termination as a Service Provider by the Company (or the applicable surviving entity, or Parent or Subsidiary) without Cause, then the balance of the Restricted Stock Units that have not vested as of the time of the Participant's termination will become 100% vested and payable as of the effective date of the Participant's termination as a Service Provider, subject to Section 4.

For purposes of this Agreement, Cause shall have the meaning ascribed to it in any written agreement between the Participant and the Company defining such term, and, in the absence of such term, Cause shall mean with the respect to the Participant, the occurrence of any of the following events (i) such Participant's gross negligence or willful misconduct in the performance of his or her duties and responsibilities to the Company or Participant's violation of any written Company policy; (ii) 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; (iii) Participant's conviction of, or pleading guilty or nolo contendre to, any felony or a lesser crime involving dishonesty or moral turpitude; (iv) Participant's alcohol abuse or other substance abuse; (v) unauthorized use or disclosure of any proprietary information or trade secrets (other than as explicitly set forth in any Company policy) of the Company or any other party to whom Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (vi) Participant's material breach of any of his or her obligations under any written agreement or covenant with the Company. The determination that a termination of the Participant's Service Provider status is either for Cause or without Cause shall be made by the Company, in its sole discretion. Any determination by the Company to terminate a Participant's Service Provider status with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Withholding of Taxes. Regardless of any action the Company or Participant's employer (the "***Employer***") takes with respect to any or all applicable national, local, or other tax or social contribution, withholding, required deductions, or other payments, if any, that arise upon the grant or vesting of the Restricted Stock Units or the holding or subsequent sale of Shares, and the receipt of dividends, if any ("***Tax-Related Items***"), Participant acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by Participant is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. Participant further acknowledges that the Company and the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including grant or vesting, the subsequent sale of Shares acquired under the Plan, and the receipt of dividends, if any; and (b) does not commit to and is under no obligation to structure the terms of the Restricted Stock Units or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax-Related Items, or achieve any particular tax result. Further, if Participant has become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable event, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. Notwithstanding any contrary provision of this Award Agreement, no certificate

representing the Shares will be issued and no cash will be paid to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of any Tax-Related Items which the Company determines must be withheld with respect to the Restricted Stock Units.

On each vesting date (or other date or time at which the Company is required to withhold Tax-Related Items), the Company will retain from the Shares otherwise issuable on such date a number of Shares having a fair market value (as determined by the Company in its sole discretion) equal to the Company's minimum statutory withholding obligation with respect to Tax-Related Items. If the Company is unable to retain sufficient Shares to satisfy such Tax-Related Items, the Participant acknowledges and agrees that the Company or an affiliate of the Company has the right to deduct from payments of any kind otherwise due to the Participant any national, state, local or other taxes of any kind required by law to be withheld for Tax-Related Items relating to the vesting of the Restricted Stock Units. If Participant fails to make satisfactory arrangements for the payment of any required Tax-Related Items hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Sections 3 or 4, Participant will permanently forfeit such Restricted Stock Units and any right to receive Shares and/or cash thereunder and the Restricted Stock Units will be returned to the Company at no cost to the Company.

8. Rights as Stockholder; Dividend Equivalent Rights. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until, and only to the extent that, certificates representing Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant. After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

During the period that the Restricted Stock Units remain unvested, if and when any dividends are declared on Shares and if authorized by the Board at the time such dividend is declared or at any other time in the Board's sole discretion, on the date such dividend is paid, the Company will credit to a bookkeeping account (the "***Account***") maintained by the Company (or a third party on behalf of the Company) for the Participant's benefit an amount equal to the amount of such dividend that would have been paid on the same number of Restricted Stock Units that are unvested and outstanding pursuant to this Award Agreement as of the record date of such dividend. Such credited amount shall be subject to the vesting and forfeiture provisions applicable to the Restricted Stock Units to which such credited amount relates, as set forth this Award Agreement. Any credited amount that becomes vested as set forth herein, will be payable at the same time as Shares are otherwise delivered upon the settlement of the vested Restricted Stock Units, if any, to which the credited amounts relate, as set forth in this Award Agreement, and will be payable in cash or Shares, in the sole discretion of the Administrator as determined at the time of payment.

9. No Guarantee of Continued Service or Grants. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OF RESTRICTED STOCK UNITS OR ACQUIRING SHARES OR CASH HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant also acknowledges and agrees that: (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time; (b) the grant of Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units even if Restricted

Stock Units have been granted repeatedly in the past; (c) all decisions with respect to future awards of Restricted Stock Units, if any, will be at the sole discretion of the Company; (d) Participant's participation in the Plan is voluntary; (e) the Restricted Stock Units and the Shares and/or cash subject to the Restricted Stock Units are extraordinary items that do not constitute regular compensation for services rendered to the Company or the Employer, and that are outside the scope of Participant's employment contract, if any; (f) the Restricted Stock Units and the Shares and/or cash subject to the Restricted Stock Units are not intended to replace any pension rights or compensation; (g) the Restricted Stock Units and the Shares and/or cash subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, or end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer; and (h) in accepting this Award of Restricted Stock Units, Participant will be bound by any clawback policy that the Company may adopt in the future.

10. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company, in care of its General Counsel at Shutterstock, Inc., 350 Fifth Avenue, 21st Floor, New York, NY 10118 or at such other address as the Company may hereafter designate in writing.

11. Grant is Not Transferable. Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

12. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

13. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of any Shares issuable hereunder upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of the payment of any Shares will violate federal securities laws or other applicable laws, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority. The Company shall not be obligated to issue any Shares pursuant to the Restricted Stock Units at any time if the issuance of Shares violates or is not in compliance with any laws, rules or regulations of the United States or any state or country.

Furthermore, the Company reserves the right to impose other requirements on Participant's participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, Participant understands that the laws of the country in which he or she is resident at the time of grant or vesting of the Restricted Stock Units or the holding or disposition of Shares (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may restrict or prevent the issuance of Shares or may subject Participant to additional procedural or regulatory requirements he or she is solely responsible for and will have to independently fulfill in relation to the Restricted Stock Units or the Shares. Notwithstanding any provision herein, the Restricted Stock Units and any Shares and/or cash shall be subject to any special terms and conditions or disclosures as set forth in any addendum for Participant's country (the "Country-Specific Addendum," which forms part this Award Agreement).

14. Plan Governs. This Award Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Award Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Award Agreement will have the meaning set forth in the Plan.

15. Administrator Authority. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

16. Electronic Delivery and Language. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company. If Participant has received this Award Agreement, including appendices, or any other document related to the Plan translated into a language other than English, and the meaning of the translated version is different than the English version, the English version will control.

17. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

18. Agreement Severable. In the event that any provision in this Award Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

19. Modifications to the Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement may be made in the manner, and to the extent, set forth in the Plan.

20. Data Privacy. ***Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Award Agreement by and among, as applicable, the Company and its affiliates for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan. Participant understands that the Company and its affiliates may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company or any affiliate, details of all Restricted Stock Units or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Personal Data"). Participant understands that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States, Participant's country (if different than the United States), or elsewhere, and that the recipient's country may have different data privacy laws and protections than Participant's country.***

For Participants located in the European Union, the following paragraph applies: Participant understands that he or she may request a list with the names and addresses of any potential recipients of the

Personal Data by contacting Participant's local human resources representative. Participant authorizes the recipients to receive, possess, use, retain and transfer the Personal Data, in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom Participant may elect to deposit any Shares received. Participant understands that Personal Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that he or she may, at any time, view Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, without cost, by contacting in writing Participant's local human resources representative. Participant understands that refusal or withdrawal of consent may affect Participant's ability to participate in the Plan or to realize benefits from the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

21 Foreign Exchange Fluctuations and Restrictions. Participant understands and agrees that the future value of the underlying Shares is unknown and cannot be predicted with certainty and may decrease. Participant also understands that neither the Company, nor any affiliate is responsible for any foreign exchange fluctuation between local currency and the United States Dollar or the selection by the Company or any affiliate in its sole discretion of an applicable foreign currency exchange rate that may affect the value of the Restricted Stock Units or Shares received (or the calculation of income or Tax-Related Items thereunder). Participant understands and agrees that any cross-border remittance made to transfer proceeds received upon the sale of Shares must be made through a locally authorized financial institution or registered foreign exchange agency and may require the Participant to provide such entity with certain information regarding the transaction.

22. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

23. Governing Law. This Award Agreement will be governed by the laws of the State of New York, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Restricted Stock Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of New York, and agree that such litigation will be conducted in the courts of the County of New York, New York, or the federal courts for the United States for the Southern District of New York, and no other courts.

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, Stan Pavlovsky, 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: April 27, 2021

By: /s/ Stan Pavlovsky
Stan Pavlovsky
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: April 27, 2021

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 March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stan Pavlovsky, 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: April 27, 2021	By:	/s/ Stan Pavlovsky
		Stan Pavlovsky
		Chief Executive Officer
		(Principal Executive Officer)

In connection with the Quarterly Report on Form 10-Q of Shutterstock, Inc., for the quarterly period ended March 31, 2021 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: April 27, 2021	By:	/s/ Jarrod Yahes
		Jarrod Yahes
		Chief Financial Officer
		(Principal Financial Officer)