



Shutterstock Reports Second Quarter 2013 Financial Results

August 7, 2013

- Quarterly revenue increases 40% from prior year period to \$56.8 million
 - Adjusted EBITDA increases 61% to \$13.4 million
- Quarterly image downloads increase 33% to 24.3 million
 - Revenue per download increases 5% to \$2.33
- Collection currently exceeds 29 million images and video clips
- Language offerings grow to 20 with addition of Thai and Korean

NEW YORK, Aug. 7, 2013 /PRNewswire/ -- Shutterstock, Inc. (NYSE: SSTK), a leading global provider of commercial digital imagery, today announced financial results for the second quarter ended June 30, 2013.

(Logo: <http://photos.prnewswire.com/prnh/20120514/NY06418LOGO>)

"We delivered strong results in the second quarter, with 40% revenue growth driven by both new customer additions and expanding usage," said Founder and CEO Jon Oringer. "We also made good progress solidifying our global footprint, adding both Thai and Korean to our 18 existing language offerings."

Operating Metrics

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in millions, except revenue per download)		(in millions, except revenue per download)	
Number of paid downloads	24.3	18.3	46.7	35.9
Revenue per download	\$ 2.33	\$ 2.22	\$ 2.31	\$ 2.18
Images in collection (end of period)	27.3	20.2	27.3	20.2

Revenue

Revenue for the second quarter was \$56.8 million, a 40% increase from the second quarter of 2012.

Net Income

Net income for the second quarter of 2013 increased 13% to \$6.9 million as compared to \$6.1 million in the second quarter of 2012. Net income in the second quarter of 2012 was not subject to federal and state income tax, as the Company was operating as a limited liability company prior to its reorganization to a Delaware corporation in October 2012, while the current quarter's net income is taxed at the federal and state income tax levels.

Net income available to common stockholders/members for the second quarter of 2013 was \$6.8 million or \$0.20 per share on a fully diluted basis as compared to \$4.6 million or \$0.22 per share on a fully diluted basis in the second quarter of 2012.

Non-GAAP net income for the second quarter of 2013 was \$7.8 million or \$0.23 per share on a fully diluted basis as compared to \$7.5 million or \$0.27 per share on a fully diluted basis in the second quarter of 2012. Non-GAAP net income excludes the after tax impact of non-cash equity-based compensation expense.

Adjusted EBITDA

Adjusted EBITDA for the second quarter of 2013 was \$13.4 million, a 61% increase as compared to \$8.3 million in the second quarter of 2012.

Cash

The Company's cash balance was \$112.8 million as of June 30, 2013 as compared to \$102.1 million as of December 31, 2012. The Company had no bank debt as of June 30, 2013. The Company generated \$4.0 million of cash from operations in the second quarter of 2013.

Also during the second quarter, the Company incurred planned capital expenditures related primarily to the purchase of computer servers and networking equipment, and to a lesser extent leasehold improvements, resulting in a cash outlay of approximately \$1.9 million. Cash outlays in this category for the second quarter of 2012 totaled \$1.4 million.

Free cash flow for the second quarter of 2013 was \$2.1 million as compared to \$7.7 million in the second quarter of 2012. The decrease in free cash flow was caused primarily by the income tax impacts of the Company's reorganization to a Delaware corporation in October 2012.

Financial Outlook

The Company's current financial and operating expectations for the third quarter of 2013 and full year 2013 are as follows:

Third Quarter 2013

- Revenue of \$56 - \$57 million
- Adjusted EBITDA of \$11.0 - \$12.0 million

- Non-cash equity-based compensation expense of approximately \$2 million
- An effective tax rate of approximately 40%

Full Year 2013

- We are increasing our expectations for revenue to \$227 - \$229 million
- We are increasing our expectations for adjusted EBITDA to \$48 - \$50 million
- Non-cash equity-based compensation expense of approximately \$8 million
- An effective tax rate of approximately 40%
- Capital expenditures related to network servers and technology of approximately \$5 million
- Capital expenditures for non-recurring leasehold improvements related to headquarters office relocation of approximately \$10 million

Earnings Teleconference Information

The Company will discuss its second quarter 2013 financial results during a teleconference today, August 7, 2013, at 5:00 PM ET. The conference call can be accessed at (866) 515-2911 or (617) 399-5125 (outside the US), conference ID# 814 376 47. The call will also be broadcast simultaneously at <http://investor.shutterstock.com>.

Following completion of the call, a recorded replay of the webcast will be available on Shutterstock's website. To listen to the telephone replay, call toll-free (888) 286-8010 or (617) 801-6888 (outside the US), conference ID# 409 267 26. The telephone replay will be available from 7:00 PM ET August 7 through August 21, 2013. Additional investor information can be accessed at <http://shutterstock.com>.

Non-GAAP Financial Measures

Shutterstock considers adjusted EBITDA, non-GAAP net income, and free cash flow to be important financial indicators of the Company's operational strength and the performance of its business. Shutterstock defines adjusted EBITDA as net income adjusted for interest income/(expense), income taxes, depreciation, amortization and non-cash equity-based compensation; non-GAAP net income as net income excluding the after tax impact of non-cash equity-based compensation; and free cash flow as cash provided by (used in) operating activities adjusted for capital expenditures and interest income/(expense). These figures are non-GAAP financial measures and should be considered in addition to results prepared in accordance with generally accepted accounting principles (GAAP), and should not be considered as a substitute for, or superior to, GAAP results. In addition, adjusted EBITDA, non-GAAP net income, 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.

A reconciliation of the differences between adjusted EBITDA, non-GAAP net income, and free cash flow, and the most comparable financial measure calculated and presented in accordance with GAAP, is presented under the heading "Reconciliation of Non-GAAP Financial Information to GAAP" immediately following the Consolidated Statements of Cash Flows included below.

Historical Operating Metrics

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	12/31/12	3/31/13 ⁽¹⁾	6/30/13
	(in millions, except revenue per download)								
Number of paid downloads	14.4	14.8	16.2	17.6	18.3	18.7	21.4	22.4	24.3
Revenue per download	\$ 2.01	\$ 2.10	\$ 2.14	\$ 2.13	\$ 2.22	\$ 2.26	\$ 2.30	\$ 2.28	\$ 2.33
Images in collections (end of period)	15.3	16.2	17.4	18.8	20.2	21.7	23.3	25.1	27.3

(1) During the second quarter of fiscal year 2013, the Company identified an understatement of the number of paid downloads in the first quarter of 2013 by 0.1 million. As a result, the Company has updated the revenue per download for the first quarter of fiscal year 2013 from \$2.29 to \$2.28. This did not impact the consolidated financial statements for the first quarter of 2013.

Non-Cash Equity-Based Compensation

Included in the accompanying financial results are expenses related to non-cash equity based compensation, as follows (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cost of revenue	\$ 110	\$ -	\$ 165	\$ -
Sales and marketing	304	-	507	-
Product development	329	-	584	-
General and administrative	811	1,493	1,314	2,157
Total	<u>\$ 1,554</u>	<u>\$ 1,493</u>	<u>\$ 2,570</u>	<u>\$ 2,157</u>

Amortization of Intangible Assets and Depreciation

Included in the accompanying financial results are expenses related to the amortization of intangible assets, as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cost of revenue	\$ 7	\$ 8	\$ 15	\$ 15
General and administrative	48	56	97	109
Total	\$ 55	\$ 64	\$ 112	\$ 124

Included in the accompanying financial results are expenses related to depreciation, as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cost of revenue	\$ 542	\$ 338	\$ 952	\$ 583
General and administrative	348	230	661	453
Total	\$ 890	\$ 568	\$ 1,613	\$ 1,036

About Shutterstock

Shutterstock is a leading global provider of [high-quality licensed photographs](#), [vectors](#), [illustrations](#) and [videos](#) to businesses, marketing agencies and media organizations around the world. Shutterstock works closely with its growing contributor community of photographers, videographers, illustrators and designers to curate a global marketplace for royalty-free imagery. Shutterstock adds tens of thousands of rights-cleared images each week, and with more than 25 million images and video clips currently available, the Company recently surpassed 300 million image downloads. Shutterstock also owns [Bigstock](#), a value-oriented stock media agency; Offset, a [high-end image collection](#); and Skillfeed, an online [marketplace for learning](#). Shutterstock is headquartered in New York City.

For more information, please visit <http://www.shutterstock.com>, and follow Shutterstock on [Twitter](#) and [Facebook](#).

Safe Harbor Provision

The statements contained in this press release that are not purely historical are forward looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, including statements regarding the Company's expectations, predictions, beliefs, hopes, intentions or strategies regarding the future. Forward looking statements include statements regarding the Company's business strategy, timing of, and plans for, the introduction of new products and enhancements, future sales, market growth and direction, competition, market share, revenue growth, operating margins and profitability. All forward looking statements included in this document are based upon information available to the Company as of the date hereof. Actual events or results could differ materially from those contained in the Company's current projections or forward-looking statements. It is routine for internal projections and expectations to change as the quarter progresses, and therefore it should be clearly understood that the internal projections and beliefs upon which the Company bases its expectations may change prior to the end of the quarter. Although these expectations may change, the Company assumes no obligation to update any such forward looking statement, whether as a result of new information, future developments or otherwise. Factors that could cause or contribute to such differences include the Company's inability to continue to attract customers and contributors to its online marketplace for commercial digital imagery; a decrease in repeat customer purchases or in content contributed to our online marketplace; the Company's inability to successfully operate in a new and rapidly changing market and to evaluate its future prospects; competitive factors; the Company's inability to prevent the misuse of its imagery; assertions by third parties of infringement or other violations of intellectual property rights by the Company; the Company's inability to increase market awareness of the Company and its services; the Company's inability to effectively manage its growth; the Company's inability to increase the percentage of its revenues that come from larger companies; the Company's inability to continue expansion into international markets; various income tax and other tax liabilities; failure to respond to technological changes or upgrade the Company's website and technology systems; failure to adequately protect the Company's intellectual property; general economic conditions worldwide; and other factors and risks detailed in reports and documents we file from time to time with the Securities and Exchange Commission. Forward-looking statements in this release are made pursuant to the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995.

Shutterstock, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)
(unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 112,803	\$ 102,096
Credit card receivables	2,442	1,373
Accounts receivable, net	4,435	1,738
Prepaid expenses and other current assets	6,598	2,008
Deferred tax assets, net	22,340	18,760
Total current assets	148,618	125,975
Property and equipment, net	6,778	5,255
Intangibles assets, net	928	1,040
Goodwill	1,423	1,423
Deferred tax assets, net	12,786	13,239
Restricted cash	2,015	182

Total assets	\$	172,548	\$	147,114
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$	3,213	\$	2,606
Accrued expenses		16,857		15,606
Contributor royalties payable		8,142		6,984
Deferred revenue		46,736		37,934
Term loan facility		-		6,000
Other liabilities		158		161
Total current liabilities		75,106		69,291
Other non-current liabilities		1,840		889
Total liabilities		76,946		70,180
Commitment and contingencies				
Stockholders' equity:				
Common stock, \$0.01 par value; 200,000 shares authorized; 33,692 and 33,513 shares outstanding as of June 30, 2013 and December 31, 2012, respectively		337		335
Additional paid-in capital		54,520		48,282
Retained earnings		40,745		28,317
Total stockholders' equity		95,602		76,934
	\$			
Total liabilities and stockholders' equity		172,548	\$	147,114

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 56,809	\$ 40,625	\$ 107,926	\$ 78,199
Operating expenses:				
Cost of revenue	21,768	15,436	41,589	29,825
Sales and marketing	13,314	11,093	25,292	23,333
Product development	5,060	3,441	9,615	6,860
General and administrative	5,734	4,444	10,514	8,177
Total operating expenses	45,876	34,414	87,010	68,195
Income from operations	10,933	6,211	20,916	10,004
Other income, net	20	2	8	5
Income before provision for income taxes	10,953	6,213	20,924	10,009
Provision for income taxes	4,090	141	8,496	227
Net income	\$ 6,863	\$ 6,072	\$ 12,428	\$ 9,782
Less:				
Preferred interest distributed	-	1,688	-	3,788
Undistributed earnings (loss) to participating stockholder/members	22	(170)	41	(1,342)
Net income available to common stockholders/members	\$ 6,841	\$ 4,554	\$ 12,387	\$ 7,336
Net income (loss) per basic share available to common stockholders/members:				
Distributed	\$ -	\$ 0.24	\$ -	\$ 0.54
Undistributed	0.20	(0.02)	0.37	(0.19)
Basic	\$ 0.20	\$ 0.22	\$ 0.37	\$ 0.35
Net income (loss) per diluted share available to common stockholders/members:				
Distributed	\$ -	\$ 0.24	\$ -	\$ 0.54
Undistributed	0.20	(0.02)	0.37	(0.19)
Diluted	\$ 0.20	\$ 0.22	\$ 0.37	\$ 0.35
Weighted average shares outstanding:				
Basic	33,471,679	20,849,242	33,435,439	20,849,242
Diluted	34,040,934	20,849,242	33,903,898	20,849,242

Shutterstock, Inc.
Reconciliation of Non-GAAP Financial Information to GAAP
(In thousands, except for share and per share information)
(Unaudited)

Unaudited Supplemental Data

The following information is not a financial measure under generally accepted accounting principles (GAAP). In addition, it should not be construed as an alternative to any other measures of performance determined in accordance with GAAP, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities as there may be significant factors or trends that it fails to address. We present this financial information because we believe that it is helpful to some investors as one measure of our operations. 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 results with our results from other reporting periods and with the results of other companies.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 6,863	\$ 6,072	\$ 12,428	\$ 9,782
Add/(less):				
(a) Depreciation and amortization	945	632	1,725	1,160
(b) Non-cash equity based compensation	1,554	1,493	2,570	2,157
(c) Interest expense/(income), net	(20)	(2)	(8)	(5)
(d) Provision for income taxes	4,090	141	8,496	227
				\$
Adjusted EBITDA (1)	<u>\$ 13,432</u>	<u>\$ 8,336</u>	<u>\$ 25,211</u>	<u>\$ 13,321</u>
Adjusted EBITDA per basic common share	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.75</u>	<u>\$ 0.64</u>
Adjusted EBITDA per diluted common share (2)	<u>\$ 0.39</u>	<u>\$ 0.29</u>	<u>\$ 0.74</u>	<u>\$ 0.47</u>
Weighted average basic shares	<u>33,471,679</u>	<u>20,849,242</u>	<u>33,435,439</u>	<u>20,849,242</u>
Weighted average diluted shares (2)	<u>34,040,934</u>	<u>28,338,280</u>	<u>33,903,898</u>	<u>28,338,280</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 6,863	\$ 6,072	\$ 12,428	\$ 9,782
(a) Non-cash equity based compensation	1,554	1,493	2,570	2,157
(b) Non-cash equity based compensation tax benefit	(580)	(29)	(1,044)	(41)
Non-GAAP net income	<u>\$ 7,837</u>	<u>\$ 7,536</u>	<u>\$ 13,954</u>	<u>\$ 11,898</u>
Non-GAAP net income per basic common share	<u>\$ 0.23</u>	<u>\$ 0.36</u>	<u>\$ 0.42</u>	<u>\$ 0.57</u>
Non-GAAP net income per diluted common share (2)	<u>\$ 0.23</u>	<u>\$ 0.27</u>	<u>\$ 0.41</u>	<u>\$ 0.42</u>
Weighted average basic shares	<u>33,471,679</u>	<u>20,849,242</u>	<u>33,435,439</u>	<u>20,849,242</u>
Weighted average diluted shares (2)	<u>34,040,934</u>	<u>28,338,280</u>	<u>33,903,898</u>	<u>28,338,280</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net cash provided by operating activities	\$ 4,024	\$ 9,107	\$ 17,814	18,922
Interest (expense)/income, net	20	2	8	5
Capital expenditures	(1,859)	(1,358)	(2,986)	(2,671)
				\$
Free cash flow	<u>\$ 2,145</u>	<u>\$ 7,747</u>	<u>\$ 14,820</u>	<u>\$ 16,246</u>
Adjusted EBITDA	\$ 13,432	\$ 8,336	\$ 25,211	13,321
Add/(less):				
(a) Changes in operating assets and liabilities	(3,054)	968	4,838	5,928
(b) Provision for income taxes	(4,090)	(141)	(8,496)	(227)
(c) Deferred income taxes	(1,435)	(58)	(3,127)	(155)
(d) Excess tax benefit from exercise of stock options	(1,009)	-	(1,009)	-
(e) Provision for doubtful accounts/chargeback reserve	160	-	264	50
(f) Interest (expense)/income, net	20	2	8	5
(g) Amortization of financing fees	-	-	125	-
				\$
Net cash provided by operating activities	<u>\$ 4,024</u>	<u>\$ 9,107</u>	<u>\$ 17,814</u>	<u>\$ 18,922</u>

(1) Earnings/(loss) before interest income/(expense), income taxes, depreciation, amortization, non-cash equity based compensation and other non-cash charges.

(2) The weighted average diluted shares for the three and six months ended June 30, 2012 give effect to our reorganization from a New York limited company to a Delaware corporation and includes incremental shares for profit interest awards and preferred shares that are excluded from the weighted average shares.

SOURCE Shutterstock, Inc.

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