UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___ to ___

Commission File Number: 001-35669

Shutterstock, Inc.

(Exact name of registrant as specified in its charter)

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

350 Fifth Avenue, 20th Floor
New York, NY 10118
(Address of principal executive offices, including zip code)
646 710-3417
Registrant's telephone number, including area code

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of its voting and non-voting common stock held by non-affiliates was $1,384,477,672, based on the last reported sale price of the registrant's common stock on that date.

On February 10, 2023, 35,841,933 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2023, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Annual Report on Form 10-K relates. Except as expressly incorporated by reference, the registrant's proxy statement shall not be deemed to be part of this report.

Form 10-K
For the Fiscal Year Ended December 31, 2022

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 discussions under the captions "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." All statements other than statements of historical fact, are forward-looking. Examples of forward-looking statements include, but are not limited to, statements regarding guidance, industry prospects, future business, future results of operations or financial condition, future dividends, future stock performance, our ability to consummate acquisitions and integrate the businesses we have acquired or may acquire into our existing operations, new or planned features, products or services, management strategies, our competitive position and the COVID-19 pandemic. You can identify many forward-looking statements by words such as "may," "will," "would," "should," "could," "expects," "aim," "anticipates," "believes," "estimates," "intends," "plans," "predicts," "projects," "seeks," "potential," "opportunities" and other similar expressions and the negatives of such expressions. However, not all forward-looking statements contain these words. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied in the forward-looking statements. Such risks and uncertainties include, among others, those discussed under the caption "Risk Factors" of this Annual Report on Form 10-K, as well as in our consolidated financial statements, related notes, and the other information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission, or the SEC. Given these risks and uncertainties, you should not place undue reliance on any forward-looking statements. The forward-looking statements contained in this Annual Report on Form 10-K are made only as of the date hereof, and we do not intend, and, except as required by law, we undertake no obligation, to update any of our forward-looking statements contained herein after the date of this report to reflect actual results or future events or circumstances.

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

Item 1. Business.

Overview

Shutterstock, Inc. (referred to herein as the “Company,” “we,” “our,” and “us”) is a global creative platform for transformative brands and media companies. The Company’s platform brings together users and contributors of content by providing readily-searchable content that our customers pay to license and by compensating contributors as their content is licensed. Contributors upload their content to the Company’s web properties in exchange for royalty payments based on customer download activity. Beyond content, customers also leverage the Company’s platform to assist with the entire creative process from ideation through creative execution.

Our key content offerings include:

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

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

Shutterstock, our flagship brand, includes various content types such as image, footage, music and editorial. For customers seeking specialized solutions, Shutterstock Studios extends our offerings by providing custom, high-quality content matched with production tools and services at scale. In addition, our collection of images, footage clips, music tracks and 3D models is also distributed through our Computer Vision offering which is used by large technology companies to train AI models.

Pond5 is a video-first content marketplace which expands the Company’s content offerings across footage, image and music. PicMonkey is a leading online graphic design and image editing platform. TurboSquid operates a marketplace that offers more than one million 3D models and a 2 dimensional (“2D”) marketplace derived from 3D objects. Our Offset brand provides authentic and exceptional content for high-impact use cases that require extraordinary images, featuring work from top assignment photographers and illustrators from around the world. PremiumBeat offers exclusive high-quality music tracks and provides producers, filmmakers and marketers the ability to search handpicked production music from the world’s leading composers. Bigstock maintains a separate content library tailored for creators seeking to incorporate cost-effective imagery into their projects.

The Company also offers its content customers additional services through our Creative Flow Applications Suite (“Creative Flow”) and an Application Programming Interface (“API”) driven infrastructure to further enhance and streamline our customers’ workflow and project management needs. Creative Flow consists of the Company’s suite of workflow applications that connect our content library with a powerful editing and design platform, easy-to-use collaboration tools, and artificial intelligence (“AI”) powered insights so that creatives and marketers can make, share, validate and organize their creative work all in one place. Our API allows businesses to gain access to our content without leaving their platform. Through our API, content can be integrated into the platforms of our Enterprise sales channel customers and can also be distributed to end users through our partnerships with several social media, software and marketing technology platforms.

We believe that we benefit from scale and network effects between customers and contributors. We have managed to build a world class library of images, footage clips, music and 3D models, sourced from our vast network of contributors. Our extensive content library and contributor network enables us to attract a global and diverse customer base representing businesses of all sizes and from all major industries. Our robust content and rich database continue to attract more customers and draw more contributors, which enhances our network effects and global reach. We believe the success of this network effect is facilitated by the trust that users place in Shutterstock to maintain the quality and integrity of our branded marketplace, and our commitment to seamless integration into users’ creative workflows.

We believe that our licensing model and creative platform drive a high volume of download activity that in turn provides a high volume of search, download and other customer behavioral data that enables us to continuously improve the quality and accuracy of our proprietary search algorithms, including keyword, search localization and similar image identification, and encourages the creation and contribution of new content to meet our customers' needs. We enable users to search and discover content to meet their unique needs by searching our collection and previewing our content alongside its propensity to perform and global utilization, at no cost prior to licensing. We also leverage, to the greatest extent possible, the global nature of our user interfaces and marketing efforts, including local languages, currencies and payment methods, as well as our effective use of current and emerging technology to attract and retain customers and contributors. 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.

In October 2022, Shutterstock announced our strategic partnership with OpenAI, an AI research and deployment company. In 2023, Shutterstock integrated Dall-E 2, OpenAI's tool for AI-generated content into the Shutterstock platform to enable our customers to input keywords and generate unique images based on their specific criteria.

Sales and Distribution Channels

Our online platform provides a freely searchable collection of content that our users can license, download and incorporate into their work. We encourage all our customers to take advantage of our creative platform's AI-Powered search capabilities, our credit card-based payment options and the immediate digital delivery of licensed content. We strive to offer simple, transparent purchase options designed to cater to customers' specific needs. We believe the ability to search for, select, license, download and customize content on our creative flow platform offers our users a streamlined workflow, convenience and speed, and enables us to achieve greater economies of scale. We also have contractual arrangements with third-party resellers and affiliates to license content to customers in markets where we may not have a significant sales and marketing presence. Certain third-party resellers and affiliates sell our products directly to end-users and remit amounts to us based on the type of product sold.

Customer sales are diversified across the following channels:

- ***E-commerce:*** The majority of our customers license content directly through our self-service web properties. Customers in our e-commerce sales channel have the flexibility to purchase a subscription-based plan that is paid on either 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.
- ***Enterprise:*** We also have a base of customers with unique content, licensing and workflow needs. These customers benefit from communication with our dedicated sales, service and research teams which provide a number of tailored enhancements to their creative workflows including non-standard licensing rights, multi-seat access, ability to pay on credit terms, multi-brand licensing packages, increased indemnification protection and content licensed for use-cases outside of those available on our e-commerce platform. Customers in our enterprise sales channel may also benefit from access to (i) Shutterstock Editorial, which includes our library of editorial images and videos, (ii) Shutterstock Studios, our offering which provides custom, high-quality content matched with production tools and services at scale, and (iii) Computer Vision, our offering which provides metadata associated with our content collection, used to train AI models. Our range of solutions, including the depth of our API platform integrations, appeals to a broad and diverse customer base and enables us to adapt and evolve with the needs of our more high touch clients to deliver capabilities that embed deep within their workflows.

Revenues generated from each of the sales channels are as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
E-commerce	$ 501,384	$ 490,212	$ 412,521
Enterprise	326,442	283,203	254,165
Total Revenue	$ 827,826	$ 773,415	$ 666,686

An important driver of our growth is customer acquisition, which we achieve primarily through online marketing efforts and directly through our sales force. Online marketing includes paid search, online display advertising, print advertising, trade shows, email marketing, direct mail, affiliate marketing, public relations, social media and partnerships. Over the past several years, our investments in marketing have represented a significant percentage of revenue. This spend considers, among other things, the blended average customer lifetime value across our various purchase options so we can manage customer acquisition costs and aim to achieve targeted returns.

We believe that another important driver of growth is the quality of the user experience we provide on our websites, especially the efficiency and speed with which our search interfaces and algorithms help customers find and download the content that they need, the degree to which our websites have been localized for our global user base, the degree to which we make use of the large quantity of data we collect about image, footage and music and search patterns, and the security of user information on our platform. To this end, we have invested aggressively in product development and cloud-based hosting infrastructure, and we intend to continue to invest in these areas, to the extent that we can improve the customer experience and increase the efficiency with which we deploy new products and features.

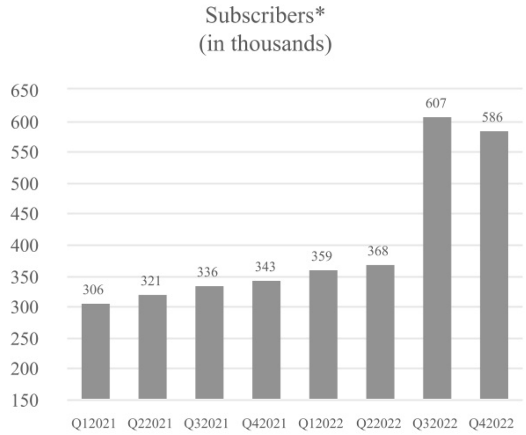
Our Customers

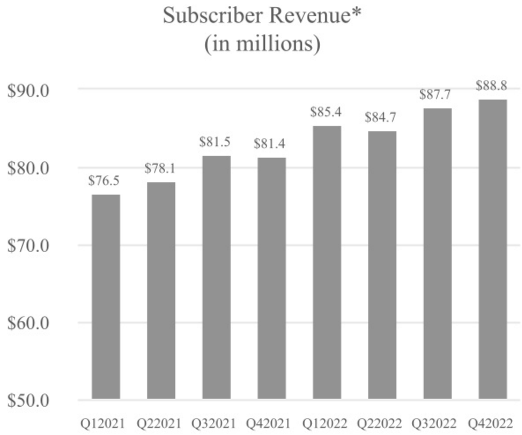
We serve a diverse array of customers across a variety of industries, organizational sizes and geographies. For the year ended December 31, 2022, over 2.3 million customers in more than 150 countries licensed revenue-generating content, with approximately 43%, 29% and 28% of revenue coming from customers in North America, Europe and the rest of the world, respectively. Our top 25 customers in the aggregate accounted for less than 10% of our revenue in 2022. Our customers are typically classified among three categories, as follows:

- ***Corporate Professionals and Organizations.*** Marketing and communications professionals incorporate licensed content in the work they produce for their organizational or clients' business communications. Whether providing graphic design, web design, interactive design, advertising, public relations, communications or marketing materials, these professional users and teams support organizations of various sizes including the largest global agencies, large not-for-profit organizations and Fortune 500 companies. These customers may also utilize our content library, through our Computer Vision offering, to train their AI models.
- ***Media and Broadcast Companies.*** Media organizations and professionals incorporate licensed content into their work, which includes digital publications, newspapers, books, magazines, television and film, as well as to market their products effectively. Our media and broadcast users range from independent bloggers to multi-national publishing, broadcast and production organizations.
- ***Small and Medium-Sized Businesses and Individual Creators.*** Organizations of all sizes utilize creative content for a wide range of internal- and external-use communications such as websites, print and digital advertisements, merchandise, brochures, employee communications, newsletters, social media, email marketing campaigns and other presentations. These organizations and users vary in size and type of organization and include casual creatives ranging from sole proprietors to social media influencers.

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

Customers that purchase one of our monthly recurring products for a continuous period of at least three months are considered subscribers. Our quarterly number of subscribers and subscriber revenue are as follows:





* Subscribers and Subscriber Revenue from acquisitions are included in these metrics beginning twelve months after the closing of the respective business combination. Accordingly, the metrics include Subscribers and Subscriber revenue from TurboSquid beginning February 2022 and from PicMonkey beginning September 2022. These metrics exclude the respective counts and revenues from our acquisitions of Pond5 and Splash News.

Content Contributors and Content Review Process

Our collection of content is provided by a community of contributors from around the world and is vetted through our proprietary technology and by a specialized team of reviewers to ensure that it meets our standards of quality and licensability. Whether photographers, videographers, illustrators, designers or musicians, our community of more than 2.3 million approved contributors as of December 31, 2022 ranges from part-time enthusiasts to full-time professionals. The content contributed by our five highest-earning contributors was together responsible for less than 2% of downloads in 2022, demonstrating the depth and diversity of our contributor population.

The breadth and quality of our content offerings are critical to our success, and we have created an easy-to-use online and mobile account creation process, where we enable contributors to create an account, become verified, submit content, and once approved for submission, upload content onto our platform for licensing. Our contributor website operates in 21 languages and contributors can register and upload content directly through our website or within our mobile application.

We use proprietary AI driven technology along with a trained team of reviewers to complete a comprehensive evaluation of all content submissions. Our content review process is highly efficient, and our content review team generally evaluates and processes images and footage within 72 hours of submission to make them available for license on our sites, while working to continually improve our process to reduce review time.

Contributors are required to add a descriptive title and up to 50 keywords to each image and footage submission. We guide our contributors to provide terms that not only describe literally the objects in the image or clip, but also what is conveyed conceptually and thematically. We provide technical keywording assistance to contributors through our suggested keyword tools, which include a tool that leverages our proprietary AI driven technology to automatically suggest keywords based on visually similar images. We have compiled a vast amount of data relating to the content in our collection, including keywords and aggregated customer behavioral data, which combined with our proprietary AI driven and artificial intelligence technology, drives discovery of content through our search algorithms and search engine optimization (SEO), therefore empowering customers to discover the content best suited for their needs.

We evaluate submissions based on certain technical and legal criteria to ensure we maintain the quality and integrity of our content marketplace, including whether applicable releases have been obtained, whether third-party intellectual property is excluded, and seeking to minimize other technical concerns such as excess noise or focus issues. Contributors are notified within the contributor portal when a content submission is not approved during the review process. This notification includes an explanation of why the image was not selected for publication. We believe that this feedback is valuable to contributors and enhances the quality of future content submissions as well as our customers' experience.

Content accepted into our collection is added to our web properties where it is available for search, selection, license and download. Contributors of content typically earn a royalty each time their work is licensed. Contributors earn royalties based on a tiered earnings rate schedule that is tied to annual licensing volume. The earnings tier of the contributor at the time of licensing, as well as the purchase option under which the content was licensed, are used to calculate the royalty earnings for each licensing event. Contributors may choose to remove their content from our collection, subject to the terms of service that govern our contributor relationships.

We provide valuable tools and insights to our contributors. Our contributors can monitor download activity by content type and geography. We also provide insights into trends we see with seasonal and current customer search behaviors to help our contributors plan future content submissions accordingly.

In addition to content sourced through direct submission to our e-commerce platform, we also obtain all types of content through exclusive distribution agreements with strategic partners or through the direct acquisition of content, content libraries or archives. In certain cases, we enter into arrangements with contributors or strategic partners whereby we guarantee a minimum royalty, in exchange for exclusive rights to distribute content when we believe such exclusivity provides us with a distinct competitive advantage. We also license content from our wholly-owned library. We continuously enhance our collection through the direct acquisition of content and by entering into other strategic agreements and partnerships and we continue to seek opportunities for direct acquisition and strategic partnerships to enhance our collection and provide customers with relevant and high-quality content.

Technology and Infrastructure

Our technology is critical to our business and we have developed proprietary technology to power our products and services. We believe that delivering intuitive, fast and effective user experiences, supported by scalable technology platforms, is critical to our success. We employ technology to support both our public-facing web properties and our back-office systems. In developing, improving and enhancing these sites and systems, we focus our internal development efforts on creating and enhancing specialized proprietary software that is unique to our business and we leverage commercially available and open source technologies for our more generalized needs.

Our customer-facing software enables users to search the millions of images, vectors, illustrations, footage, music tracks and 3D models available in our collection or request custom branded content and then select, organize, pay for, license and download the content that suits their individual needs. Our search platform evolves automatically based on our own 1st party behavioral data, with each search and download that a user performs on our platform providing our search engine with additional information to improve search results in subsequent queries.

We consider the data that we have collected and the search technology that it powers to be an important proprietary asset and competitive advantage that allows us to provide exceptional service to our customers and enable our business. We continuously invest in the localization of our creative platform across many countries and regions, allowing customers to search and make purchases in a variety of languages and currencies. We also maintain an API driven infrastructure, enabling integration of our content platform with various other software tools and services, which enables businesses, and their customers, to gain access to our content without leaving their platform.

We also develop and continuously invest in contributor-facing web properties, which operate in 21 languages and enable individuals and creative professionals to become contributors, upload and tag content, receive feedback on their submissions from our review team, see reports on earnings and payouts, and participate in online discussion forums with other contributors, among other activities. We have also developed proprietary tools to enable our contributors to improve their success on our web properties, including our keyword trends tool that allows contributors to see what terms customers are searching for and how those search terms are trending over time, which, in turn, allows contributors to anticipate demand and generate content that customers may want to license. Our contributor-facing web properties are powered by proprietary technology which supports a content review system that allows our review team to efficiently and effectively review content submissions. Our combination of proprietary technology and large-scale datasets allows us to deliver value to our users and enhances their experience on our platform, which drives growth on our marketplace.

We use a combination of internally-developed software and third-party applications that enable customer and contributor support, intellectual property rights and license tracking, centralized invoicing and sales order processing, customer database management, language translation and global contributor payouts, in addition to supporting the compliance, finance and accounting functions. We continually improve upon these internal tools to enable business growth and drive efficiency.

Our systems infrastructure is hosted primarily by third-party cloud hosting providers that we believe offer scalable, reliable and secure global infrastructure. We also continue to invest in our infrastructure to improve the resiliency of our sites and systems. By using cloud services providers, we believe we are able to dedicate an increasing proportion of our technology resources to scaling our business, better serving our rapidly growing collection of content and meeting global customer demand. We believe continued use of third-party cloud hosting, along with improvements to our platform, allow us to further diversify our product offerings, reach new customers and contributors around the world and enable our developers to rapidly deploy new products, features and functionality.

We have expanded our use of content delivery network solutions to help enable our customers around the world to have sustained and reliable high-speed access to our platform. As we continue to grow our business, our technological needs continue to expand and therefore, we plan to continually invest in our technology to enhance existing products and services and develop new products and services. We view our investments in technology as integral to our long-term success and we intend to continue to investigate, develop and make capital investments in technology and operational systems that support our current business and new areas of potential business expansion.

Marketing

An important driver of our growth is customer acquisition, which we achieve primarily through online and offline marketing efforts and directly through our sales force. Online marketing includes paid search, online display advertising, print advertising, trade shows, email marketing, direct mail, affiliate marketing, public relations, social media and partnerships. Over the past several years, our investments in marketing have represented a significant percentage of revenue. This spend considers, among other things, the blended average customer lifetime value across our various purchase options so we can manage customer acquisition costs and aim to achieve targeted returns.

We also use customer relationship management (CRM) marketing to grow the lifetime value of our existing customers. Our marketing activities aim to raise awareness of our brands and attract paying customers to our websites and our direct sales organization by promoting the key value propositions of our offerings: diverse and high-quality content, intuitive and efficient interfaces and economical content options.

As our marketing efforts attract additional paying customers and generate more revenue for us, our contributors are also able to receive increased earnings from us. Increasing contributor earnings helps attract more content submissions, which in turn helps Shutterstock convert and retain even more paying customers. We believe the high degree of satisfaction that customers have with our product drives word-of-mouth recommendations, which helps our marketing efforts attract an even broader and more diverse audience than we reach directly. Therefore, we believe our marketing efforts have a self-reinforcing network effect, which powers the growth and success of our marketplace.

Customer Support

In addition to outbound sales and marketing activities, our customer service teams assist users worldwide via email, chat and phone in over 20 languages and 150 countries. We have customer service teams in a variety of locations including Singapore, Berlin and New York.

Product Rights and Intellectual Property

Product Rights and Indemnification

All of the content that we make available to customers on our websites is offered under perpetual, royalty-free licenses, with the exception of certain custom, editorial, music, and other content with specific licensing requirements. Royalty-free means that once a customer has licensed content from us, that customer may use the associated content in accordance with the license terms in perpetuity without having to pay any ongoing royalties to us. Typically, content from our library is licensed on a non-exclusive basis, meaning that multiple customers can license the same image, footage clip or music track under the applicable Shutterstock license agreement. Custom content is one-of-a-kind branded content and is licensed on an exclusive basis to our customers to fulfill their specific use-cases. We do not typically require that contributors of content to our library provide their content to us on an exclusive basis, with the exception of custom content and certain editorial, music and other content to which we have exclusive distribution rights. However, once a contributor's content is licensed through our platform, such content is perpetually subject to the customer's license even if the contributor removes the image from our marketplace, except in periodic circumstances where content is removed due to concerns about third-party intellectual property rights.

Under our various license agreements, we expressly represent and warrant that unaltered content downloaded and used in compliance with our license agreements and applicable law will not infringe any copyright, trademark or other intellectual property right, violate any third-party's rights of privacy or publicity, violate any U.S. law, be defamatory or libelous, or be pornographic or obscene. Provided that a customer has not breached the license agreement or any other agreement with us, we will defend, indemnify, and hold a customer harmless from direct damages attributable to breaches of the express representations and warranties provided in our license agreements. From time to time, we agree to customize our license agreements with non-standard indemnification terms. Regardless of customization, indemnification only applies to claims for damages attributable to our breach of the express representations and warranties provided in our license agreement and is generally conditioned on our timely receipt of an indemnification claim and our right to assume the defense of such claim. Our license agreements generally cap our indemnification obligations at amounts ranging from $10,000 to $250,000, with exceptions for certain products for which our indemnification obligations may be uncapped. We maintain commercially reasonable insurance intended to protect against the costs of intellectual property litigation and our indemnification obligations under our license agreements.

Intellectual Property

We protect our intellectual property through a combination of patent, trademark, copyright and domain name registrations, as well as trade secret protections.

We own a portfolio of trademarks, including “Shutterstock,” “Shutterstock Editorial,” “Asset Assurance,” “Offset,” “Bigstock,” “Rex Features,” “PremiumBeat,” “TurboSquid,” “PicMonkey,” “Pattern89,” “Shotzr,” “Pond5,” “Splash News,” “Shutterstock Studios,” and “Shutterstock Editor” and their associated logos. We will pursue additional trademark registrations to the extent that we create any additional material and registrable trademarks or logos. We are the registered owner of a variety of the shutterstock.com, bigstock.com, offset.com, premiumbeat.com, rexfeatures.com, turbosquid.com, picmonkey.com, pond5.com and splashnews.com internet domain names and various other related domain names. We have successfully recovered infringing domain names in the past and intend to continue to enforce our rights in the future. We also own copyrights, including certain content on our web properties, publications and designs, as well as patents, including with respect to our display systems and search capabilities. These intellectual property rights are important to our business and marketing efforts. The duration of the protection afforded to our intellectual property depends on the type of property in question, the laws and regulations of the relevant jurisdiction and the terms of our license agreements with others. With respect to our trademarks, trade names and patents, laws and rights are generally territorial in scope and limited to those countries where a mark has been registered or protected. While trademark registrations may generally be maintained in effect for as long as the mark is in use in the respective jurisdictions, there may be occasions where a mark or title is not registrable or protectable or cannot be used in a particular country. In addition, a trademark registration may be canceled or invalidated if challenged by others based on certain use requirements or other limited grounds. We believe the duration of our patents is adequate, relative to the expected lives of our products.

We protect our intellectual property rights by relying on federal, state, and common law rights, including registration, in the United States and applicable foreign jurisdictions, as well as contractual restrictions. We enforce and protect our intellectual property rights through litigation from time to time, and by controlling access to our intellectual property and proprietary technology, in part, by entering into confidentiality and proprietary rights agreements with our employees, consultants, contractors, and vendors. In this way, we have historically chosen to protect our software and other technological intellectual property as trade secrets. We further control the use of our proprietary technology and intellectual property through provisions in our websites’ terms of use and license agreements.

Government Regulation

We are subject to a number of U.S. federal and state and foreign laws and regulations that affect companies conducting business on the internet as well as companies that provide access to content. Many of these laws and regulations are still evolving and are being tested in courts, and the manner in which existing laws and regulations will be applied to the internet and online content in general, and how the foregoing will relate to our business in particular, is still unclear in many cases. These laws and regulations may involve privacy, data management and protection (including with respect to personal information), cybersecurity, content regulation, intellectual property ownership and infringement, defamation, publicity rights, advertising, marketing, employment, taxation, e-commerce, subscription-based billing, quality of products and services, internet neutrality, antitrust, outsourcing, securities law compliance, and online payment services. Additionally, because we operate internationally, we need to comply with various laws associated with doing business outside of the United States, including data privacy and security, anti-money laundering, sanctions, anti-corruption and export control laws. A number of U.S. federal and state and foreign laws that could have an impact on our business practices and e-commerce generally have already been adopted, including, for example:

- The Digital Millennium Copyright Act (the “DMCA”), which regulates digital material and created updated copyright laws to address the unique challenges of regulating the use of digital content.
- The Directive on Copyright in the Digital Single Market, which governs a marketplace for copyright in the European Union.
- The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 and similar laws adopted by a number of states, which regulate the format, functionality and distribution of commercial solicitation e-mails, create criminal penalties for unmarked sexually-oriented material, and control other online marketing practices.
- The Children’s Online Privacy Protection Act and the Prosecutorial Remedies and Other Tools to End Exploitation of Children Today Act of 2003, which regulate the collection or use of information, and restrict the distribution of certain materials, as related to certain protected age groups. In addition, the Protection of Children

From Sexual Predators Act of 1998 provides for reporting and other obligations by online service providers in the area of child pornography.

- The Federal Trade Commission Act and numerous state "mini-FTC" acts, which bar "deceptive" and "unfair" trade practices, including in the contexts of online advertising and representations made in privacy policies and other online representations.
- The European Union General Data Protection Regulation ("GDPR"), which governs how we can collect and process the personal data of, primarily, European Union residents.
- The California Consumer Privacy Act of 2018 ("CCPA"), which governs how we can collect and process the personal data of California residents.

In particular, we are subject to U.S. federal and state, and foreign laws regarding privacy and data protection as well as foreign, federal and state regulation. Foreign data protection, privacy, content regulation, consumer protection, and other laws and regulations can be more restrictive than those in the United States and often have extraterritorial application, and the interpretation and application of these laws are continuously evolving, still uncertain and remain in flux. For example, the GDPR, which took effect on May 25, 2018, includes more stringent operational requirements for entities using, processing, and transferring personal information and significant penalties for non-compliance. Several other foreign jurisdictions, such as Brazil and India, have adopted, are considering adopting, or have updated comprehensive privacy legislation to offer additional data privacy protections for individuals. In the U.S., data protection legislation is also becoming increasingly common at both the federal and state level. There are a number of legislative proposals pending before the U.S. Congress and various state legislative bodies concerning privacy, security, content regulation, data protection and other consumer issues that could affect us. For example, the State of California has enacted the CCPA, which became effective in January 2020. The CCPA, among other things, requires companies that collect personal information about California residents to make disclosures to those residents about data collection, use and sharing practices, allows residents to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. Moreover, a new privacy law passed in California, the California Privacy Rights Act ("CPRA"), which is scheduled to take effect on January 1, 2023 (with a lookback to January 1, 2022), will significantly modify the CCPA, and will impose additional data protection obligations on companies such as ours doing business in California.

In addition, from a taxation perspective, there are applicable and potential government regulatory matters that may impact us. In particular, certain provisions of the Tax Cuts and Jobs Act of 2017 (the "TCJA") have had and will continue to have a significant impact on our financial position and results of operations. The TCJA continues to be subject to further regulatory interpretation and technical corrections by the U.S. Treasury Department and the I.R.S. and therefore, the full impact of the TCJA on our tax provision may continue to evolve. Further, we continue to remain subject to uncertainty related to foreign jurisdictions' potential reactions to the TCJA, as well as evolving regulatory views and legislation regarding taxation of e-commerce businesses such as the Organization for Economic Cooperation and Development ("OECD") Base Erosion and Profit Shifting ("BEPS") proposals, specifically the adoption of BEPS Action II and its ancillary impacts to other areas of TCJA related laws and regulations as well as and other country specific digital tax initiatives. As these and other tax laws and related regulations continue to evolve, our financial results could prospectively be materially impacted.

The application, interpretation, and enforcement of these U.S. and foreign laws and regulations are often uncertain, particularly in the rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. Any existing or new legislation applicable to our operations could expose us to substantial liability, including significant expenses necessary to comply with such laws and regulations, to respond to regulatory inquiries or investigations, and to defend individual or class litigation. These events could dampen growth in the use of the internet in general, and cause Shutterstock to divert significant resources and funds to addressing these issues, and possibly require us to change our business practices.

Competition

We seek to be an integral component of the creative process for our customers based on a number of factors including the quality, relevance and breadth of content; ability to source new content; accessibility of content; distribution capabilities; ease and speed of search and fulfillment; content pricing models and practices; content licensing options and the degree to which users are protected from legal risk; brand recognition and reputation; the effective use of current and emerging technology; the global nature of our interfaces and marketing efforts, including the degree of localization; and customer service. We also compete for contributors on the basis of several similar factors including ease and speed of the upload and content review process; the volume of customers who license their submitted content; contributor commission models and practices; the degree to which contributors are protected from legal risk; brand recognition and reputation; the effective use of technology; the global nature of our interfaces; and customer service.

The industry in which we operate is extremely competitive and rapidly evolving, with low barriers to entry. Some of our currently and potentially significant competitors include:

- other online platforms that feature marketplaces for stock content such as Getty Images and its iStockphoto offering, AdobeStock, Freepik and Storyblocks;
- specialized visual content companies that are established in local, content or product-specific market segments, such as Visual China Group;
- providers of commercially licensable music such as Universal Music Publishing Group, Sony/ATV Music Publishing and Warner/Chappell Music;
- websites focused on providing creative workflow tools such as Canva, Picsart and Bending Spoons;
- websites focused on image search and discovery such as Google Images;
- providers of free images, photography, music, footage and related tools;
- social networking and social media services; and
- commissioned photographers and photography agencies.

In addition, we compete with the alternative of creating one’s own content or choosing not to consume licensed content due to price considerations or because the user is not aware of how to access licensed content.

Human Capital

The Company and its consolidated subsidiaries have 1,328 full-time employees as of December 31, 2022, as compared to 1,148 as of December 31, 2021. Approximately 63% of our global workforce is located in North America and 32% are located in Europe with the remainder located in the rest of the world. None of our employees in the United States are covered by collective bargaining arrangements. In several foreign jurisdictions, including Italy, Canada, France and Brazil, our employees may be subject to national collective bargaining agreements that set minimum salaries, benefits, working conditions and / or termination requirements. We consider our employee relations to be satisfactory. Competition for qualified personnel in our industry is intense, particularly for software engineers, computer scientists and other technical staff.

Our people are critical to our success. We have implemented certain strategies with respect to our employees, to provide a safe, rewarding and respectful workplace. We adhere to our Code of Business Conduct and Ethics, which sets forth a commitment to our stakeholders, including our employees, to operate with integrity and mutual respect. We also incorporate safety principles into every aspect of our business. We have well-developed health and safety programs, which are reinforced through policies, education and engagement of our employees.

We strive to create an outstanding employee experience by creating a culture aligned with our principles by providing our employees access to the programs and initiatives that promote their career growth and development, recognize and reward their performance and support their overall well-being. Our Total Rewards program focuses on developing and implementing policies and programs that support our business goals, maintain competitiveness, promote shared fiscal responsibility among the Company and our employees, strategically align talent within our organization and reward performance, while also managing the costs of such policies and programs. Through our Total Rewards program, we provide our employees with competitive fixed and/or variable pay, and for eligible employees we currently provide access to medical, dental and life insurance benefits, disability coverage, a 401(k) plan, equity-based compensation and employee assistance programs, among other benefits. We encourage employee engagement through regular employee events, productive communication, our global recognition program and by creating a culture of belonging.

Our Diversity, Equity, and Inclusion (“DEI”) goal is to build a workforce, contributor network and content library that is representative and inclusive of the diverse global community we serve. We have a long-term commitment to creating an inclusive culture, embedding DEI throughout our recruiting and retention efforts and promoting representation and inclusion throughout our platform. Our eight employee resource groups and our DEI team have helped to raise awareness about inclusion and advocate for various historically excluded groups. We continued our focus on building leaders' and managers' cultural competency and inclusive leadership skills, as well as building a diverse pipeline of talent by establishing relationships with diverse talent communities and achieving greater representation in our content library through our Create Fund program.

Seasonality

Our operating results may fluctuate from quarter to quarter as a result of a variety of factors. Our quarterly and annual results may reflect the effects of intra-period 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.

Corporate and Available Information

We launched our platform in 2003, and on October 5, 2012, we reorganized as Shutterstock, Inc., a Delaware corporation, from Shutterstock Images LLC, a New York limited liability company. We completed our initial public offering, in October 2012, and completed a follow-on offering in September 2013. Our common stock is listed on the New York Stock Exchange under the symbol “SSTK”.

Our corporate headquarters and principal executive offices are located at 350 Fifth Avenue, 20th Floor, New York, NY 10118, and our telephone number is (646) 710-3417. We maintain a website at investor.shutterstock.com, where our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports are available without charge, as soon as reasonably practicable following the time they are electronically filed with or furnished to the SEC. The information on or accessible through our websites is not incorporated by reference into this Annual Report on Form 10-K. In addition, the SEC maintains a website, www.sec.gov, that includes filings of and information about issuers that file electronically with the SEC.

Item 1A. Risk Factors.

You should carefully consider the risks and uncertainties described below, together with the financial and other information contained in this Annual Report on Form 10-K. Our business may also be adversely affected by risks and uncertainties not presently known to us or that we currently believe to be immaterial. If any of the following risks, such other risks or the risks described elsewhere in this Annual Report on Form 10-K, including in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", actually occur, our business, financial condition, operating results, cash flow and prospects could be materially adversely affected. This could cause the trading price of our common stock to decline.

Risk Factors Summary

Risks Related to Industry Dynamics and Competition

- The success of our business depends on our ability to continue to attract and retain customers of, and contributors to, our creative platform. If customers reduce or cease their spending with us, or if content contributors reduce or end their participation on our platform, our business will be harmed.
- The industry in which we operate is highly competitive with low barriers to entry and if we do not compete effectively, our operating results could suffer.
- Our marketing efforts to acquire new, and retain existing customers may not be effective or cost-efficient, and may be affected by external factors beyond our control.
- If we cannot continue to innovate technologically or develop, market and offer new products and services, or enhance existing technology and products and services to meet customer requirements, our ability to grow our revenue could be impaired.
- Unless we increase market awareness of our brand and our existing and new products and services, our revenue may not continue to grow.
- In order to continue to attract large corporate customers, we may encounter greater pricing pressure, and increased service, indemnification and working capital requirements, each of which could increase our costs and harm our business and operating results.
- Expansion of our operations into new products, services and technologies, including content categories, is inherently risky and may subject us to additional business, legal, financial and competitive risks.
- The impact of worldwide economic, political and social conditions, including effects on advertising and marketing budgets, may adversely affect our business and operating results.
- Social and ethical issues relating to the use of new and evolving technologies, such as AI, in our offerings may result in reputational harm and liability.

Risks Related to Operating our Business

- We may not continue to grow our revenues at historical rates.
- If we do not effectively expand, train, manage changes to, and retain our sales force, we may be unable to add new customers or increase sales to our existing customers, and our revenue growth and business could be adversely affected.
- We have continued to grow in recent periods and if we fail to effectively manage our growth, our business and operating results may suffer.
- If we do not successfully make, integrate and maintain acquisitions and investments, our business could be adversely impacted.
- We rely on highly skilled personnel and if we are unable to retain and motivate key personnel, attract qualified personnel, integrate new members of our management team or maintain our corporate culture, we may not be able to grow effectively.
- We may be exposed to risks related to our use of independent contractors.
- The non-payment or late payments of amounts due to us from certain customers may negatively impact our financial condition.
- We are subject to payment-related risks that may result in higher operating costs or the inability to process payments, either of which could harm our financial condition and results of operations.
- If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.
- We may need to raise additional capital in the future and may be unable to do so on acceptable terms or at all.
- We have incurred debt which could have a negative impact on our financing options and liquidity position, which could in turn adversely affect our business.

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, has had and could have a material adverse effect on our business, financial condition, cash flows and results of operations, and the extent to which the pandemic will have a continued impact remains uncertain.

Risks Related to our Intellectual Property and Security Vulnerabilities

- We rely on information technologies and systems to operate our business and maintain our competitiveness, and any failures in our technology infrastructure could harm our reputation and brand and adversely affect our business.
- Technological interruptions that impair access to our web properties or the efficiency of our marketplace could harm our reputation and brand and adversely affect our business and results of operations.
- We face risks resulting from the content in our collection such as unforeseen costs related to infringement claims, potential liability arising from indemnification claims, changes to intellectual property content regulations and laws and the inability to prevent or monitor misuse.
- Assertions by third parties of infringement of intellectual property rights related to our technology could result in significant costs and substantially harm our business and operating results.
- We collect, store, process, transmit and use personally identifiable information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, information security and data protection in many jurisdictions. Any cybersecurity breaches or our actual or perceived failure to comply with such legal obligations by us, or by our third-party service providers or partners, could harm our business.
- Cybersecurity breaches and improper access to or disclosure of data or confidential information we maintain, or hacking or phishing attacks on our systems, could expose us to liability, protracted and costly litigation and damage our reputation.
- Failure to protect our intellectual property could substantially harm our business and operating results.
- Much of the software and technologies used to provide our services incorporate, or have been developed with, “open source” software, which may restrict how we use or distribute our services or require that we publicly release certain portions of our source code.
- Catastrophic events or other interruptions or failures of our information technology systems could hurt our ability to effectively provide our products and services, which could harm our reputation and brand and adversely affect our business and operating results.

Risks Related to our International Operations

- Our international operations and our continued expansion internationally expose us to many risks.
- We are subject to foreign exchange risk.

Risks Related to Regulatory and Tax Challenges

- Government regulation of the internet, both in the United States and abroad, is evolving and unfavorable changes could have a negative impact on our business.
- Action by governments to restrict access to, or operation of, our services or the content we distribute in their countries could substantially harm our reputation, business and financial results.
- Income tax laws or regulations could be enacted or changed and existing income tax laws or regulations could be applied to us in a manner that could increase the costs of our products and services, which could harm our financial condition and results of operations.
- We may be exposed to greater than anticipated withholding, sales, use, value added and other non-income tax liabilities, including as a result of future changes in laws or regulations, which could harm our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

- Our operating results may fluctuate, which could cause our results to fall short of expectations and our stock price to decline.
- Our stock price has been and will likely continue to be volatile.
- Jonathan Oringer, our founder and Executive Chairman of the Board, owns and controls approximately 32.6% of our outstanding shares of common stock, and his ownership percentage may increase, including as a result of any share repurchases pursuant to our share repurchase program. This concentration of ownership may have an effect on matters requiring the approval of our stockholders, including elections to our board of directors and transactions that are otherwise favorable to our stockholders.
- Purchases of shares of our common stock pursuant to our share repurchase program may affect the value of our common stock and diminish our cash reserves, and there can be no assurance that our share repurchase program will enhance stockholder value.
- If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.
- Future sales of our common stock in the public market could cause our share price to decline.
- Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our Company and may affect the trading price of our common stock.
- There can be no assurance that we will declare dividends in the future.

- We have incurred and expect to continue to incur increased costs and our management will continue to face increased demands as a result of continuously improving our operations as a public company.
- If we fail to maintain an effective system of internal control over financial reporting, we may not be able to report our financial results accurately or in a timely fashion, and we may not be able to prevent fraud; in such case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our stock.

Risks Related to Industry Dynamics and Competition

The success of our business depends on our ability to continue to attract and retain customers of, and contributors to, our creative platform. If customers reduce or cease their spending with us, or if content contributors reduce or end their participation on our platform, our business will be harmed.

The continued use of our creative platform by customers and contributors is critical to our success. Our future performance largely depends on our ability to attract new, and retain existing, paying customers and contributors. We do not know whether we will be able to achieve user growth rates in the future similar to our previous results. The majority of our revenue is derived from customers who have purchased from us in the past, but customers have several options to find content. If we lose existing customers, or new customers are not as active as our existing customers, our financial performance and growth could be harmed.

Our ability to attract new customers and contributors, and to incentivize our customers to continue purchasing our products and our contributors to add new content to our platform depends on several factors, including:

- the scope of content available for licensing;
- the effectiveness of our marketing efforts;
- the features and functionality of our platform;
- competitive pricing of our products;
- our current products and services and ability to expand our offerings;
- our customers' and contributors' experience in using our platform; and
- the quality and accuracy of our search algorithms.

Further, our growth strategy relies on network effects: we rely in part on a growing audience of paying users to attract more content from contributors, thereby increasing our content selection and in turn attracting additional paying customers. For example, our global strategy relies on enabling easier global access in order to attract new contributions of local content, in turn attracting more paying customers who have preferences for local content. Any decrease in the attractiveness of our platform relative to other options available to our customers and contributors could lead to decreased engagement on our platform and unfavorably impact the network effects of our platform, which could result in loss of revenue.

If we are unable to grow our customer and contributor base, or retain our existing contributors and paying customers, or are unable to attract paying customers in a cost-effective manner, our financial performance, operating results and business may be adversely affected.

The industry in which we operate is highly competitive with low barriers to entry and if we do not compete effectively, our operating results could suffer.

The industry in which we operate is intensely competitive and rapidly evolving, with low barriers to entry. We compete with a wide and diverse array of companies, from significant media companies to newly emerging generative artificial intelligence ("AI") technologies to individual content creators. Our current and potential domestic and international competitors range from large established companies to emerging start-ups across different industries, including online marketplace and traditional stock content suppliers of current and archival creative and editorial imagery, photography, footage, and music; specialized visual content companies in specific geographic segments; providers of commercially licensable music; websites specializing in image search, recognition, discovery and consumption; websites that host and store images, art and other related products; providers of free images, photography, music, footage and related tools (including offerings by our partners); social networking and social media services; and commissioned photographers and photography agencies.

We believe that the principal competitive factors in the content industry include: quality, relevance and breadth of content; the ability to source new content; content licensing options and the degree to which users are protected from legal risk; the effective use of current and emerging technology; accessibility of content, distribution capability, and speed and ease of search and fulfillment; brand recognition and reputation; customer service; availability of additional platform features, such as workplace tools and ability to engage with additional platform features; the global nature of a company's interfaces and marketing efforts, including local content, languages, currencies, and payment methods; and newly emerging generative AI technologies. If our competitors use their experience and resources to provide an offering that is more attractive to customers across these categories, or if our competitors innovate and provide products faster than we can, we may be unable to compete effectively and our business will be harmed.

Many of our competitors have or may obtain significantly greater financial, marketing or other resources or greater brand awareness than we have. Some of these competitors may be able to respond more quickly to new or expanding technology and devote more resources to product development, marketing or content acquisition than we can. This could lead to more variability in operating results and could have a material adverse effect on our business, operating results, and financial condition.

While we believe that there are obstacles to creating a meaningful network effect between customers and contributors, the barriers to creating a platform that allows for the licensing of content or provides workflow tools are low. If competitors offer higher royalties or more favorable royalty earning potential, easier submission workflows, or less rigorous vetting processes or incentivize contributors to distribute their content on an exclusive basis, contributors may choose to stop distributing new content with us or remove their existing content from our collection. Further, as technology advances or other market dynamics make creating, sourcing, archiving, indexing, reviewing, searching or delivering content easier or more affordable, our existing and potential competitors may also seek to develop new products, technologies or capabilities that could render many of the products, services and content types that we offer obsolete or less competitive. For any of these reasons, we may not be able to compete successfully against our current and future competitors.

In addition, demand for our products and services is sensitive to price. Many external factors, including our technology and personnel costs and our competitors' pricing and marketing strategies, could significantly impact our pricing strategies and we could fail to meet our customers' pricing expectations. Increased competition and pricing pressures may result in reduced sales, lower margins, losses or the failure of our product and services to maintain and grow their current market share, any of which could harm our business.

Our marketing efforts to acquire new, and retain existing, customers may not be effective or cost-efficient, and may be affected by external factors beyond our control.

Maintaining and promoting awareness of our platform and services is important to our ability to attract and retain customers. We spend a significant amount on marketing activities to acquire new customers and retain and engage existing customers. For example, in 2022, 2021 and 2020 our marketing expenses were approximately $97.2 million, $112.9 million and $81.2 million, respectively, and we expect our marketing expenses to continue to account for a significant portion of our operating expenses. Our business depends on a high degree of website traffic, which is dependent on many factors, including the availability of appealing website content, user loyalty and new user generation from search engine portals. Our primary marketing efforts currently are search engine marketing ("SEM"), search engine optimization ("SEO"), affiliate marketing and display advertising, as well as, social media and email. The marketing efforts we implement may not succeed for a variety of reasons, including our inability to execute and implement our plans. External factors beyond our control may also impact the success of our marketing initiatives.

We obtain a significant number of visits via search engines such as Google and a critical factor in attracting customers to our websites is how prominently our website is displayed in response to search queries. Search engines frequently update and change the logic that determines the placement and display of results of a user's search, such that the purchased or algorithmic placement of links to our sites can be negatively affected. Moreover, a search engine could, for competitive or other purposes, alter its search algorithms or results, causing our sites to place lower in search query results. A major search engine could change its algorithms in a manner that negatively affects our paid or non-paid search ranking, and competitive dynamics could impact the effectiveness of search engine marketing or search engine optimization. Furthermore, our failure to successfully manage our search engine optimization could result in a substantial decrease in traffic to our web properties, as well as increased costs if we were to replace free traffic with paid traffic.

If our marketing activities prove less successful than anticipated in attracting new customers or retaining existing customers, we may not be able to recover our marketing spend, we may not acquire new customers or our cost to acquire new customers may increase, and our existing customers may reduce the frequency or size of their purchases from us, any of which could have a material adverse effect on our business, prospects, results of operations, financial condition or cash flows.

If we cannot continue to innovate technologically or develop, market and offer new products and services, or enhance existing technology and products and services to meet customer requirements, our ability to grow our revenue could be impaired.

Our growth largely depends on our ability to innovate and add value to our existing creative platform and to provide our customers and contributors with a scalable, high-performing technology infrastructure that can efficiently and reliably handle increased customer and contributor usage globally, as well as the deployment of new features. For example, footage represents significantly more data as compared to a still image, and if the proportion of our business related to footage licensing and our footage library continues to grow, we will need to expand and enhance our technological capabilities to ingest, store and search footage and music tracks in ways that are similar to our management of images. Without improvements to our technology and infrastructure, our operations might suffer from unanticipated system disruptions, slow website or application performance or unreliable service levels, any of which could negatively affect our reputation and ability to attract and retain customers and contributors. We are currently making, and plan to continue making, significant investments to maintain and enhance the technology and infrastructure supporting our customer and contributor facing web properties and software platforms and to evolve our information processes and computer systems to more efficiently run our business and remain competitive. For example, in 2022, 2021 and 2020 our product and development costs (which exclude costs that are capitalized related to internal-use software development projects), were approximately $65.4 million, $52.0 million and $46.0 million, respectively, and may continue to increase in the future as we continue to innovate. We may not achieve the anticipated benefits, significant growth or increased market share from these investments for several years, if at all. If we are unable to manage our investments successfully or in a cost-efficient manner, our business and results of operations may be harmed.

Our growth also depends, in part, on our ability to identify and develop new products and services and enhance existing products and services. The process of developing new products and services and enhancing existing products and services and bringing products or enhancements to market in a timely manner is complex, costly and uncertain and we may not execute successfully on our vision or strategy because of challenges such as product planning and timing, technical hurdles, or a lack of resources. The success of our products depends on several factors, including our ability to:

- anticipate customers' and contributors' changing needs or emerging technological trends;
- timely develop, complete and introduce innovative new products and enhancements;
- differentiate our products from those of our competitors;
- effectively market our products and gain market acceptance;
- price our products competitively; and
- provide timely, effective and accurate support to our customers and contributors.

We may be unable to successfully identify new product opportunities or enhancements, develop and bring new products to market in a timely manner, or achieve market acceptance of our products. There can be no assurance that products and technologies developed by others will not render our products or technologies obsolete or less competitive. If we are unsuccessful in innovating our technology or in identifying new or enhancing our existing product offerings, our ability to compete in the marketplace, to attract and retain customers and contributors and to grow our revenue could be impaired.

Unless we increase market awareness of our brand and our existing and new products and services, our revenue may not continue to grow.

We believe that the brand identity that we have developed has significantly contributed to the success of our products and services and that our ability to attract and retain new customers and contributors depends in large part on our ability to increase our brand awareness. We have and may continue to expend significant resources on advertising, marketing, and other brand-building efforts to preserve and enhance customer and contributor awareness of our brand, products and services. We also have incurred and expect to incur significant costs in developing and marketing new products to obtain user acceptance and we may not be successful in our efforts to increase awareness and market share of these products. Our competitors may be able to achieve and maintain brand awareness and market share more quickly and effectively than we can.

Our brand may be adversely affected by a number of factors, including the effectiveness of our marketing campaigns, disruptions in service due to technology, data privacy and security issues, and exploitation of our trademarks and other intellectual property by others without our permission. Maintaining and enhancing our brand will depend largely on our ability to be a leading platform for high-quality content, tools and services for creative professionals and to continue to provide a user experience that anticipates our customers' needs. Additionally, our marketing campaigns or other efforts to increase our brand awareness may not succeed in bringing new visitors to our platform or converting such visitors to paying customers or contributors and may not be cost-effective. It is possible that, as our industry becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive and our efforts may not be successful.

In order to continue to attract large corporate customers, we may encounter greater pricing pressure, and increased service, indemnification and working capital requirements, each of which could increase our costs and harm our business and operating results.

In order to continue to attract and retain customers, particularly larger corporate customers, we may face greater demands in terms of greater pricing pressure, increased service requirements, greater indemnification requirements and greater working capital to accommodate the larger receivables and collections issues that are likely to occur as a result of being paid on credit terms. If we are unable to adequately address those demands or manage our resources, our ability to grow our business may be harmed, which may adversely affect our results of operations and future growth. If we address those demands in a way that expands our risk of indemnification claims, significantly increases our operating costs, reduces our ability to maintain or increase pricing, or increases our working capital requirements, our business, operating results and financial condition may suffer.

Expansion of our operations into new products, services and technologies, including content categories, is inherently risky and may subject us to additional business, legal, financial and competitive risks.

Historically, our operations have been focused on our marketplace for content. Further expansion of our operations and our marketplace into additional content categories, such as Shutterstock Editorial and AI generated content, or into new products and services, such as Shutterstock Studios, an end-to-end custom creative shop and our Creative Flow Applications Suite, involves numerous risks and challenges, including increased capital requirements, increased marketing spend to gain brand awareness of these new operations, potential new competitors, and the need to develop new contributor and strategic relationships. Growth into additional content, product and service areas may require changes to our existing business model and cost structure and modifications to our infrastructure and may expose us to new regulatory and legal risks, any of which may require expertise in which we have little or no experience. There is no guarantee that we will be able to generate sufficient revenue from sales of such content, products and services to offset the costs of developing, acquiring, managing and monetizing such content, products and services and our business may be adversely affected.

The impact of worldwide economic, political and social conditions, including effects on advertising and marketing budgets, may adversely affect our business and operating results.

Global economic, political and social conditions can affect the business of our customers and the markets they serve, as well as disrupt the business of our vendors, third-party resellers and strategic partners. Numerous external forces beyond our control, including generally weak or uncertain economic conditions, negative or uncertain political climates, changes in government and election results in the United States and other jurisdictions in which we operate and global health epidemics, could adversely affect our financial condition. Particularly, our financial condition is affected by worldwide economic conditions and their impact on advertising spending. Expenditures by advertisers generally tend to reflect overall economic conditions, and to the extent that the economy stagnates as a result of macro conditions, companies may reduce their spending on advertising and marketing, and thus the use of our platform. This could have a serious adverse impact on our business. To the extent that overall economic conditions reduce spending on advertising and marketing activities, our ability to retain current and obtain new customers could be hindered, which could reduce our revenue and negatively impact our business. In addition, if we are unable to successfully anticipate changing economic, political and social conditions, we may be unable to effectively plan for and respond to those changes and our business could be negatively affected.

Further, economic, political and social macro developments in the United States, Europe, and Asia could negatively affect our ability to conduct business in those territories. Financial difficulties experienced by our customers, third-party resellers, vendors and strategic partners due to economic volatility or unfavorable changes could result in these companies scaling back operations, exiting businesses, merging with other businesses or filing for bankruptcy protection and potentially ceasing operations, all of which could adversely affect our business, financial condition and results of operations.

Social and ethical issues relating to the use of new and evolving technologies, such as AI, in our offerings may result in reputational harm and liability.

Social and ethical issues relating to the use of new and evolving technologies such as AI in our offerings may result in reputational harm and liability, and may cause us to incur additional research and development costs to resolve such issues. We are increasingly building AI into many of our offerings. As with many innovations, AI presents risks and challenges that could affect its adoption, and therefore our business. If we enable or offer solutions that draw controversy due to their perceived or actual impact on society, we may experience brand or reputational harm, competitive harm or legal liability. Potential government regulation related to AI ethics may also increase the burden and cost of research and development in this area, subjecting us to brand or reputational harm, competitive harm or legal liability. Failure to address AI ethics issues by us or others in our industry could undermine public confidence in AI, which could slow adoption of AI in our products and services.

Risks Related to Operating our Business

We may not continue to grow our revenues at historical rates.

Our future profitability will depend in part on our continued ability to grow our revenues. In future periods, our revenue could grow more slowly than in recent periods or further decline for many reasons, including any increase in competition, reduction in demand for our products, inability to introduce new products or enhance our existing product offerings, pricing pressures, contraction of our overall market or our failure to capitalize on growth opportunities. In addition, while we plan to manage our growth in a cost-effective manner, we expect expenses to increase in the near term, particularly as we continue to make significant investments in our technology and operational infrastructure, continue to expand our operations globally and develop new products and features for, and enhancements of, our existing products. A significant decrease in our historical rate of growth may adversely impact our results of operations and financial condition. If our growth rate declines further, investors' perceptions of our business may be adversely affected, and the trading price of our common stock could decline.

If we do not effectively expand, train, manage changes to, and retain our sales force, we may be unable to add new customers or increase sales to our existing customers, and our revenue growth and business could be adversely affected.

Customers in our Enterprise sales channel provided approximately 39%, 37% and 38% of our revenues in 2022, 2021 and 2020, respectively. These customers have unique content, licensing and workflow needs and we have a dedicated sales, service and research team to provide a number of enhancements to those customers' creative workflows including non-standard licensing rights, multi-seat access, multi-brand licensing packages and content licensed for use-cases outside of those available for license on our e-commerce platform. We have been optimizing our sales team and refining the manner in which our products and services are sold through this channel. However, we are continuing to build our sales leadership team and sales strategy. We also periodically adjust our sales organization as part of our efforts to optimize our sales operation to grow revenue.

We continue to be substantially dependent on our sales force to effectively obtain new customers and to drive additional use cases and adoption among our existing customers. We believe that there is significant competition for sales personnel with the skills and knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of qualified sales personnel to support our growth. Our growth creates additional challenges and risks with respect to attracting, integrating and retaining qualified employees, particularly enterprise sales leadership and sales personnel. In addition, we expect that, if we continue to grow, a large percentage of our sales force at any time will be new to the company and our offerings. New hires require significant training and may take a significant amount of time before they achieve full productivity. Further, as we develop and evolve our sales and go-to-market strategies, additional training for new hires and our existing team may be required for our sales force to successfully execute on those strategies. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business.

If we have not structured our sales organization or compensation for our sales organization properly, if we fail to make changes in a timely fashion, if we are unable to hire and train a sufficient number of effective sales leadership and personnel, if our sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, or if we do not effectively manage changes in our sales force and sales strategy, our business and results of operations could be adversely affected.

We have continued to grow in recent periods and if we fail to effectively manage our growth, our business and operating results may suffer.

In the last several years, we have continued to experience revenue growth and may continue to experience such growth in the future. For example, our revenues increased from $666.7 million in 2020 to $773.4 million in 2021 and to $827.8 million in 2022. Our continued growth has placed significant demands on our management and our administrative, operational and financial infrastructure and our success will depend in part on our ability to manage this growth efficiently. Specifically, as our operations have grown in size, scope and complexity, we have made and expect to continue to make significant expenditures and allocate valuable management resources to improve and upgrade our technology, customer service, sales and marketing infrastructure and product offerings, including new product offerings, and to continue developing or acquiring new and relevant content and product offerings. Growth may also strain our ability to maintain reliable operation of our platform, enhance our operational, financial and management controls and reporting systems and recruit, train and retain highly skilled personnel. If we fail to effectively allocate our limited resources within our organization as it grows and do not successfully implement improved technology and infrastructure, our business, operating results and financial condition may suffer.

Further, as we have a limited history of operations at our current scale and under our current strategy, our ability to forecast our future operating results and plan for and model future growth is more limited than that of companies with longer operating histories and is subject to a number of uncertainties. In addition, we have encountered and expect to continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing markets. If our assumptions regarding these risks and uncertainties are incorrect or change, or if we do not execute on our strategy and manage these risks and uncertainties successfully, our operating results could differ materially from our expectations and those of securities analysts and investors, our business could suffer and the trading price of our common stock could decline.

If we do not successfully make, integrate and maintain acquisitions and investments, our business could be adversely impacted.

We have acquired, invested in and entered into strategic relationships with companies, and we may acquire, invest in or enter into strategic relationships with additional companies to complement our existing business and the breadth of our offerings. These transactions are inherently risky and expose us to risks which include:

- disruption of our ongoing business, including diverting management’s attention from existing businesses and operations;
- risks inherent in launching or acquiring new products or extending our existing platform, particularly in market segments or geographies where we have limited or no experience;
- difficulties integrating acquired technology and assets, including content collections, into our systems and offerings;
- risks associated with any acquired liabilities;
- difficulties integrating personnel;
- information security vulnerabilities;
- difficulties integrating accounting, financial reporting, management, infrastructure and information security, human resources and other administrative and operational systems;
- potential impairment resulting from the recording of goodwill and intangible assets that are subject to impairment testing;
- the potential damage to employee, customer, contributor and other supplier relationships;
- additional exposure to economic, political and social risks related to geographies where we have limited or no experience; and
- other unknown liabilities.

Future acquisitions or investments could also result in potential dilutive issuances of equity securities, use of significant cash balances or the incurrence of debt, any of which could adversely affect our stock price, financial condition and results of operations. Further, our acquisitions or investments could result in significant impairments related to goodwill and amortization expenses related to other intangible assets and exposure to undisclosed or potential liabilities of the acquired companies. To the extent that the goodwill arising from the acquisitions carried on the financial statements does not pass a goodwill impairment test, excess goodwill will be impaired and will reduce future earnings.

Additionally, companies with which we have strategic relationships, including those we have invested in, may not be successful, may have interests that are different from ours which may result in conflicting views as to the conduct of ongoing business or may pivot or shift their business model. In the event that these companies do not succeed in their operating plans or shift their priorities, or we have a disagreement as to the management or conduct of the business and/or relationship, which we cannot resolve, we may lose the value of any investment in these companies and be forced to record impairment charges.

We cannot make assurances that our investments will be successful. If we fail to effectively integrate the companies we acquire, invest in or enter into strategic relationships with, we may not realize the benefits expected from the transaction and our business may be harmed.

We rely on highly skilled personnel and if we are unable to retain and motivate key personnel, attract qualified personnel, integrate new members of our management team or maintain our corporate culture, we may not be able to grow effectively.

We are highly dependent on the continued service and performance of our senior management team as well as key personnel. We believe that the successful performance of our senior management team and key personnel is critical to managing our operations and supporting our growth. Further, many of our technologies and systems are custom-made for our business by our personnel. The loss of any key engineering, product development, marketing or sales personnel and our inability to implement a succession plan or find suitable replacements for any of these individuals could disrupt our operations and have an adverse effect on our business.

Our continued and future success is also dependent, in part, on our ability to identify, attract, retain and motivate highly skilled technical, managerial, product development, marketing, content operations and customer service personnel and to preserve the key aspects of our corporate culture. Competition for qualified personnel is intense in our industry and we may be unsuccessful in offering competitive compensation packages to attract and retain personnel. Further, we believe that a critical contributor to our success and to our recruiting efforts has been our corporate culture, which we believe fosters innovation, creativity, and teamwork. As we continue to pursue growth and expansion of our operations globally, we may not be able to maintain our corporate culture, which could impact our ability to attract and retain personnel. Among other factors, we are limited in our ability to recruit internationally by restrictive domestic immigration laws. Changes to immigration policies in the U.S. and other key jurisdictions that restrain the flow of technical and professional talent may inhibit our ability to adequately recruit and retain key employees. The failure to successfully recruit and hire key personnel or the loss of any key personnel could have a significant impact on our operations and growth.

We may be exposed to risks related to our use of independent contractors.

We rely on independent third parties to provide certain services for our Company. The state of the law regarding independent contractor status varies from jurisdiction to jurisdiction and is subject to change based on court decisions and regulation. For example, on April 30, 2018, the California Supreme Court adopted a new standard for determining whether a company "employs" or is the "employer" for purposes of the California Wage Orders in its decision in the *Dynamex Operations West, Inc. v. Superior Court* case. This standard was expanded and codified in California via Assembly Bill 5, which was signed into law in September 2019 and became effective as of January 1, 2020. The *Dynamex* decision and Assembly Bill 5 altered the analysis of whether an individual, who is classified by a hiring entity as an independent contractor in California, has been properly classified as an independent contractor. Under the new test, an individual is considered an employee under the California Wage Orders unless the hiring entity establishes three criteria: (i) the worker is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of such work and in fact; (ii) the worker performs work that is outside the usual course of the hiring entity's business; and (iii) the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed for the hiring entity. Assembly Bill 5 is subject to ongoing scrutiny and amendments. In addition, independent workers have been the subject of widespread national discussion and it is possible that other jurisdictions may enact laws similar to Assembly Bill 5 or that otherwise impact our business and our relationships with independent third parties. As a result, there is significant uncertainty regarding the future of the worker classification regulatory landscape.

From time to time, we may be involved in lawsuits and claims that assert that certain independent contractors should be classified as our employees. Adverse determinations regarding the status of any of our independent contractors could, among other things, entitle such individuals to the reimbursement of certain expenses and to the benefit of wage-and-hour laws, and could result in the Company being liable for income taxes, employment, social security, and withholding taxes and benefits for such individuals. Any such adverse determination could result in a material reduction of the number of subcontractors we can use for our business or significantly increase our costs to serve our customers, which could adversely affect our business, financial condition and results of operations.

The non-payment or late payments of amounts due to us from certain customers may negatively impact our financial condition.

Our revenue generated through sales to enterprise customers represented approximately 39% of our total revenue for the year ended December 31, 2022 and approximately 37% of our total revenue for the year ended December 31, 2021. A portion of these customers typically purchase our products on payment terms, and therefore we assume a credit risk for non-payment in the ordinary course of business. Further, in certain jurisdictions, we contract with third-party resellers that may collect payment from customers and remit such payment to us. Therefore, we are subject to the third-party resellers' ability to collect and remit payment to us. We evaluate the credit-worthiness of new customers and resellers and perform ongoing financial condition evaluations of our existing customers and resellers; however, there can be no assurance that our allowances for uncollected accounts receivable balances will be sufficient. As of December 31, 2022, our allowance for doubtful accounts was $5.8 million. If the volume of sales to enterprise customers grows, we expect to increase our allowance for doubtful accounts primarily as the result of changes in the volume of sales to customers who pay on payment terms or through resellers.

We are subject to payment-related risks that may result in higher operating costs or the inability to process payments, either of which could harm our financial condition and results of operations.

We accept payments using a variety of methods, including credit cards and debit cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements and fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards and debit cards, and it could disrupt our business if these companies became unwilling or unable to provide these services to us, including if they were to suffer a cyberattack or security incident. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from consumers or facilitate other types of online payments. Under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain cardholders' signatures. We do not currently carry insurance against this risk. Although we have historically experienced minimal impact to our financial statements from credit card fraud, we may experience expense as a result of our failure to adequately control fraudulent credit.

We are also subject to, or voluntarily comply with, several other laws and regulations relating to money laundering, international money transfers, privacy and information security and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to civil and criminal penalties or forced to cease our operations.

If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

We review our goodwill for impairment annually as of October 1st, or more frequently if and when events or changes in circumstances indicate that an impairment may exist, such as a decline in stock price and market capitalization. If such goodwill or intangible assets are deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or intangible assets is determined, which would negatively affect our results of operations.

We may need to raise additional capital in the future and may be unable to do so on acceptable terms or at all.

We evaluate our capital allocation strategy on an ongoing basis and make investments to support our business growth. In the future, we may require additional funds to respond to business needs, opportunities and challenges, including the need to develop new features or functions of our platform, improve our operating infrastructure or acquire complementary businesses, personnel and technologies, or develop and carry out a response to unforeseen circumstances. Our ability to obtain additional capital, if and when required, will depend on our business plans, investor demand, our operating performance, the condition of the capital markets, and other factors. If we raise additional funds through the issuance of equity, equity-linked or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. In addition, on May 6, 2022, we entered into a credit facility (the "Credit Facility") among the Company, as borrower, certain direct and indirect subsidiaries of the Company as Subsidiary Guarantors, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent for the lenders. The Credit Facility contains customary affirmative and negative covenants, including covenants limiting the ability of the Company and its subsidiaries to, among other things, incur debt, grant liens, undergo certain fundamental changes, make investments, make certain restricted payments, dispose of assets, enter into transactions with affiliates, and enter into burdensome agreements, in each case, subject to limitations and exceptions set forth in the Credit Facility. In addition, the Credit Facility also requires us to comply with certain financial ratio covenants, including a consolidated leverage ratio and a consolidated interest coverage ratio, in each case, determined in accordance with the terms of the Credit Facility. Our ability to comply with these ratios may be affected by events beyond our control. The existence of the Credit Facility, and any additional debt financing we secure in the future that may include restrictive covenants relating to our capital raising activities and other financial and operational matters, may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we are unable to obtain additional capital when required, or are unable to obtain additional capital on satisfactory terms, our ability to continue to support our business growth or to respond to business opportunities, challenges, or unforeseen circumstances could be adversely affected, and our business may be harmed.

We have incurred debt which could have a negative impact on our financing options and liquidity position, which could in turn adversely affect our business.

As of December 31, 2022, we had $50.0 million in aggregate principal amount of total debt. Additionally, our revolving credit facility has remaining borrowing capacity of $48.0 million, net of standby letters of credit, as of December 31, 2022. Our overall leverage and the terms of our financing arrangements could:

- limit our ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions, to fund growth or for general corporate purposes, even when necessary to maintain adequate liquidity;
- make it more difficult for us to satisfy the terms of our debt obligations;
- limit our ability to refinance our indebtedness on terms acceptable to us, or at all;

- limit our flexibility to plan for and to adjust to changing business and market conditions and increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to make interest and principal payments on our debt, thereby limiting the availability of our cash flow to fund future investments, capital expenditures, working capital, business activities and other general corporate requirements; and
- increase our vulnerability to adverse economic or industry conditions.

Our ability to meet expenses and debt service obligations will depend on our future performance, which could be affected by financial, business, economic and other factors. In addition, a breach of any of the covenants in our outstanding debt agreements or our inability to comply with the required financial ratios could result in a default under our debt instruments, including the Credit Facility. If an event of default occurs, our creditors could elect to declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable and/or require us to apply all of our available cash to repay borrowings. If we are not able to pay our debt service obligations we may be required to refinance all or part of our debt, sell assets, borrow more money or raise additional equity capital.

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, has had and could have a material adverse effect on our business, financial condition, cash flows and results of operations, and the extent to which the pandemic will have a continued impact remains uncertain.

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. COVID-19 has had a widespread and detrimental effect on the global economy as a result of the continued fluctuation in the number of cases and affected countries and actions by public health and governmental authorities, businesses, other organizations and individuals to address the outbreak, including travel bans and restrictions, quarantines, shelter in place, stay at home or total lock-down orders and business limitations and shutdowns. Despite the developments of vaccines, the duration and severity of COVID-19 and possible mutations and the degree of its impact on our business is uncertain and difficult to predict. The continued spread of the outbreak could result in one or more of the following conditions that could have a material adverse impact on our business operations and financial condition: decreased business spending by our customers and prospective customers; reduced demand for our products, lower renewal rates by our customers; increased customer losses/churn and turnover of talent; increased challenges in or cost of acquiring new customers and talent; reduction in the amount of content uploaded by our contributors and/or reduction in the number of contributors on our site because of reduced royalties earned by our contributors; inability of our Custom contributors and editorial photographers to complete assignments because of travel and in-person event restrictions; increased competition; increased risk in collectability of accounts receivable; reduced productivity due to remote work arrangements; lost productivity due to illness and/or illness of family members; inability to hire key roles; adverse effects on our strategic partners' businesses; impairment charges; extreme currency exchange-rate fluctuations; inability to recover costs from insurance carriers; business continuity concerns for us and our third-party vendors; inability of counterparties to perform under their agreements with us; increased risk of vulnerability to cybersecurity attacks or breaches resulting from a greater number of our employees working remotely for extended periods of time; and challenges with Internet infrastructure due to high loads. If we are not able to respond to and manage the potential impact of such events effectively, our business could be harmed.

As we generally recognize revenue from our customers as content is downloaded, the impact to our reported revenue resulting from recent and near-term changes in our sales activity due to COVID-19 may not be fully apparent until future periods. Our efforts to help mitigate the negative impact of the outbreak on our business may not be effective, and we may be affected by a protracted economic downturn. Furthermore, while many governmental authorities around the world have and continue to enact legislation to address the impact of COVID-19, including measures intended to mitigate some of the more severe anticipated economic effects of the virus, we may not benefit from such legislation or such legislation may prove to be ineffective in addressing COVID-19's impact on our and our customer's businesses and operations. Even after the COVID-19 outbreak has subsided, we may continue to experience impacts to our business as a result of the coronavirus' global economic impact and any recession that has occurred or may occur in the future. Further, as the COVID-19 situation is unprecedented and continuously evolving, COVID-19 may also affect our operating and financial results in a manner that is not presently known to us or in a manner that we currently do not consider to present significant risks to our operations.

In addition, the overall uncertainty regarding the economic impact of the COVID-19 pandemic and the impact on our revenue growth, could impact our cash flows from operations and liquidity. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section. Material changes to our cash flows, liquidity and the volatility of the stock market and our stock price could impact our capital allocation strategy, including our quarterly dividend program and our outstanding authorization under our stock repurchase program.

Risks Related to our Intellectual Property and Security Vulnerabilities

We rely on information technologies and systems to operate our business and maintain our competitiveness, and any failures in our technology infrastructure could harm our reputation and brand and adversely affect our business.

We depend on the use of sophisticated information technologies and systems, including technology and systems used for our platform and apps, customer service, invoicing and billing, communications, fraud detection and administration. As our operations grow in size, scope and complexity, we will need to continuously improve and upgrade our systems and infrastructure to offer an increasing number of consumer-enhanced services, features and functionalities, while maintaining and improving the reliability, security and integrity of our systems and infrastructure.

Our future success also depends on our ability to adapt our services and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve our platform's performance, features and reliability. We may not be able to maintain our existing systems or replace our current systems or introduce new technologies and systems quickly or cost effectively. Failure to invest in and adapt to technological developments and industry trends may have a material adverse effect on our business, results of operations, financial condition and prospects.

We rely upon third-party service providers, such as cloud service providers, for our application hosting, and we are dependent on these third parties to provide continuous power, cooling, internet connectivity and physical security for computing storage resources, and our reliance on these third-parties can be expected to increase as we expand our infrastructure in the future. In the event that these third-party providers experience any interruption in operations or cease business for any reason, or if we are unable to agree on satisfactory terms for continued hosting relationships, our business could be harmed and we could be forced to enter into a relationship with other service providers or assume hosting responsibilities ourselves. Although our use of distributed systems enables us to provide rapid content delivery to our customers and is intended to mitigate the risks associated with supporting business continuity in the event of an emergency, a system disruption at a third-party hosting service provider could result in a noticeable disruption and performance degradation to our websites.

Further, our technology infrastructure may be vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, computer intrusions, vulnerabilities and malware (including viruses and malicious software), software errors, computer denial-of-service attacks and other events. A number of the systems making up this infrastructure are not redundant, and our disaster recovery planning may not be sufficient for every eventuality. Our technology infrastructure may fail or be vulnerable to damage or interruption because of actions by third parties or employee error or malfeasance. We may not carry business interruption insurance sufficient to protect us from any and all losses that may result from interruptions in our services as a result of technology infrastructure failures or to cover all contingencies. Any interruption in the availability of our websites and on-line interactions with customers or partners may cause a reduction in customer or partner satisfaction levels, which in turn could cause additional claims, reduced revenue or loss of customers or partners. Despite any precautions we may take, such problems could result in, among other consequences, a loss of customers, loss of confidence in the stability and reliability of our platform, damage to our reputation, and legal liability, all of which may adversely affect our business, financial condition, operating results and cash flows.

Technological interruptions that impair access to our web properties or the efficiency of our marketplace could harm our reputation and brand and adversely affect our business and results of operations.

The satisfactory performance, reliability and availability of our web properties and our network infrastructure are critical to our reputation, our ability to attract and retain customers and contributors to our platform and our ability to maintain adequate customer service levels. Any system interruptions that result in the unavailability of our websites could result in negative publicity, damage our reputation and brand or adversely affect our results of operations. We have in the past experienced, and may in the future experience temporary system interruptions for a variety of reasons, including security breaches and other security incidents, malware (including viruses and malicious software), telecommunication and other network failures, power failures, programming errors, undetected bugs, design faults, data corruption, denial-of-service attacks, poor scalability or network overload from an overwhelming number of visitors trying to reach our websites at the same time. Even a disruption as brief as a few minutes could have a negative impact on our marketplace activities and could result in a loss of revenue.

Because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all. In addition, we have entered into service level agreements with some of our larger customers and strategic partners. Technological interruptions could result in a breach of such agreements and subject us to considerable penalties and could cause our customers to believe our service is unreliable, causing harm to our business, reputation and financial condition.

We face risks resulting from the content in our collection such as unforeseen costs related to infringement claims, potential liability arising from indemnification claims, changes to intellectual property content regulations and laws and the inability to prevent or monitor misuse.

Our content is licensed from copyright owners such as photographers, illustrators, videographers and composers who contribute content to our collection and, subject to our licenses with our contributors, we typically offer customers a perpetual, royalty-free license to use the content for their editorial or commercial needs. Although we have implemented measures to review the content that we accept into our collection, we cannot guarantee that each contributor holds the rights or releases he or she claims or that such rights and releases are adequate, which in turn affects the licenses granted to our customer. As a result, we and our customers have been, and in the future will likely be, subject to third-party claims, including intellectual property infringement claims, related to our customers' use of our content.

Under our license agreements with our contributors, our contributors represent and warrant that they have the right to license content to us. Under our license agreements with our customers, we expressly represent and warrant that unaltered content downloaded and used in compliance with our license agreements and applicable law will not infringe any copyright, trademark or other intellectual property right, violate any third-party's rights of privacy or publicity, violate any U.S. law, be defamatory or libelous, or be pornographic or obscene. We offer our customers indemnification at amounts ranging from $10,000 to $250,000, with exceptions for certain products for which our indemnification obligations are uncapped, for direct damages attributable to our breach of the express representations and warranties contained in our license agreements. However, our contractual maximum liability may not be enforceable in all jurisdictions. The aggregate amount of capped indemnification liability, or the amount of uncapped indemnification liability in individual instances, may be significant. Any customers who seek indemnification claims from us may also discontinue use of our products and services or encourage other customers to discontinue using our products and services, which could harm our business and reputation.

We are also subject to many federal, state, and foreign laws and regulations related to rights of publicity, rights of privacy, content regulation and intellectual property and we rely on common-law frameworks in order to provide content to our customers. These laws, regulations and frameworks are constantly evolving and may be interpreted, applied, created, or amended in a manner that could seriously harm our business. These legal frameworks are also subject to uncertain judicial interpretation and regulatory and legislative amendments. If the rules around these laws, regulations and doctrines change, if international jurisdictions refuse to apply similar protections, or if a court were to disagree with our application of those rules to our customers' use of content, we and our customers could become subject to third-party claims and we could become subject to significant indemnification liability.

While we maintain insurance policies to cover potential intellectual property disputes and have not historically incurred any material financial liability as a result of these indemnification obligations individually or in the aggregate, we have incurred, and will expect to continue to incur, expenses related to such claims and related settlements, which may increase over time. If a third-party infringement claim or series of claims is brought against us in excess of our insurance coverage or for uninsured liabilities, our business could suffer. In addition, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against all losses.

Further, unauthorized parties have attempted, and may in the future attempt, to improperly use the content in our collection and such misuse of our content may result in lost revenue and increase our risk of litigation. While we have proactively enforced our intellectual property rights, preventing misuse or infringement of our content is inherently difficult and identifying and policing misuse, whether by contributors or customers, requires exceptional resources and may not always be effective. We rely on intellectual property laws and contractual restrictions to protect our rights and the content in our collection. Certain countries may be very lax in enforcing intellectual property laws or have very onerous and time-consuming requirements to enforce intellectual property rights. Litigation in those countries will likely be costly and ineffective. Consequently, these intellectual property laws afford us only limited protection. We cannot guarantee that we will be able to prevent the unauthorized use of our content or that we will be successful in stopping such use once it is detected.

Regardless of their merit, intellectual property and indemnification claims are time-consuming, expensive to litigate or settle and cause significant diversion of management attention and could severely harm our financial condition and reputation, and adversely affect our business.

Assertions by third parties of infringement of intellectual property rights related to our technology could result in significant costs and substantially harm our business and operating results.

Internet, technology and media companies are frequently subject to litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights or rights related to their use of technology. Some internet, technology and media companies, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims against us. Our technology is critical to our business and we have developed proprietary technology and a robust infrastructure to power our products and services. Third parties may in the future assert that the technology we have developed infringes, misappropriates or otherwise violates their intellectual property rights, and as we face increasing competition, the possibility of intellectual property rights claims against us grows. Such litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue, and therefore our own issued and pending patents may provide little or no deterrence to these patent owners in bringing intellectual property rights claims against us. Existing laws and regulations are evolving and subject to different interpretations, and various federal and state legislative or regulatory bodies may expand current or enact new laws or regulations. We cannot guarantee that our technology is not infringing or violating any third-party intellectual property rights or rights related to use of technology.

We cannot predict whether assertions of third-party intellectual property rights or any infringement or misappropriation or other claims arising from such assertions will substantially harm our business and operating results. If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims.

Furthermore, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property; expend additional development resources to redesign our technology; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content, or materials; and to indemnify our partners and other third parties. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. In addition, any lawsuits regarding intellectual property rights, regardless of their success, could be expensive to resolve and would divert the time and attention of our management and technical personnel.

We collect, store, process, transmit and use personally identifiable information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, information security and data protection in many jurisdictions. Any cybersecurity breaches or our actual or perceived failure to comply with such legal obligations by us, or by our third-party service providers or partners, could harm our business.

We currently provide content licensing to customers in more than 150 countries and license content from contributors located in over 100 countries. In connection with providing content licensing, we collect, store, process and use our customers' and contributors' personally identifiable information and other data, and we rely on third parties that are not directly under our control to do so as well. We also collect, store, process, transmit and use our employees' personally identifiable information and other data in connection with their employment. While we take measures intended to protect the security, integrity and confidentiality of the personal information and other sensitive information we collect, store or transmit, we cannot guarantee that inadvertent or unauthorized use or disclosure will not occur, or that third parties will not gain unauthorized access to or misuse this information. There have been a number of reported incidents where third-party service providers or partners have used software to access the personal data of their customers' or partners' customers for marketing and other purposes. Our privacy policies and practices prohibit such activities, but our third-party service providers or partners may nevertheless engage in such activity without our knowledge or consent. If we or our third-party service providers or partners were to experience a cybersecurity incident, data breach or disruption, unauthorized access or failure of systems compromising our customers', contributors' or employees' data, or if one of our third-party service providers or partners were to access our customers' personal data without authorization, our brand and reputation could be adversely affected, use of our products could decrease, we could experience business interruption and we could be exposed to a risk of loss, litigation and regulatory proceedings. Depending on the nature of the information compromised in a cybersecurity incident, data breach or disruption or unauthorized access or failure of systems compromising our customers', contributors' or employees' data, we may also have obligations to notify customers, contributors, employees or governmental bodies about the incident and we may need to provide some form of remedy and compensation for the individuals affected. In addition, ongoing rulemaking and the potential for changes to cybersecurity disclosure rules may subject us to enhanced or uncertain requirements. Complying with these obligations could cause us to incur substantial costs, including compliance, crisis management and remediation costs, and receive negative publicity. While we maintain insurance coverage that is designed to address certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in the event we experience a cybersecurity incident, data breach, disruption, unauthorized access or failure of systems.

Regulatory scrutiny of privacy, data collection, use of data and data protection continues to intensify both within the United States and globally. The personal information and other data we collect, store, process and use is increasingly subject to legislation and regulations in numerous jurisdictions around the world, especially in Europe. These laws often develop in ways we cannot predict and some laws may be in conflict with one another. This may significantly increase our cost of doing business, particularly as we expand our localization efforts. For example, the GDPR imposes stringent operational requirements for controllers and processors of personal data of individuals in the European Economic Area (the “EEA”), and noncompliance can trigger fines of up to the greater of €20 million or 4% of global annual revenues. Further, following the U.K.’s formal exit from the E.U. in January 2020, we became subject to the GDPR as incorporated into U.K. law. In December 2020, the Brexit Trade and Cooperation Agreement (“TCA”) established a four- to six-month grace period during which transfers of personal data from the E.U. to the U.K. can continue without additional safeguards, provided that the U.K. maintains its pre-TCA data protection laws. The exit creates uncertainty with regard to the regulation of data protection in the U.K. In particular, it is unclear how data transfers to and from the U.K. will be regulated after the grace period expires and whether or not the U.K. will receive an adequacy decision from the European Commission permitting cross-border data transfer prior to leaving the E.U. Additionally, although we are making use of the E.U. Standard Contractual Clauses with regard to the transfer of certain personal data to countries outside the EEA recent legal developments in Europe have created complexity and regulatory compliance uncertainty regarding certain transfers of personal information from the EEA to the United States. For example, on July 16, 2020, the Court of Justice of the European Union (“CJEU”) invalidated the E.U.-U.S. Privacy Shield Framework (“Privacy Shield”) under which personal information could be transferred from the E.U. to U.S. entities who had self-certified under the Privacy Shield program. While the CJEU upheld the adequacy of E.U.-specified standard contractual clauses as an adequate mechanism for cross-border transfers of personal data, it made clear that reliance on them alone may not necessarily be sufficient in all circumstances and that their use must be assessed on a case-by-case basis taking into account the surveillance laws in and the right of individuals afforded by, the destination country. The CJEU went on to state that, if the competent supervisory authority believes that the standard contractual clauses cannot be complied with in the destination country and the required level of protection cannot be secured by other means, such supervisory authority is under an obligation to suspend or prohibit that transfer unless the data exporter has already done so itself. We rely on a mixture of mechanisms to transfer personal data from our E.U. business to the U.S. (having previously relied on Privacy Shield) and are evaluating what additional mechanisms may be required to establish adequate safeguards for personal information. As supervisory authorities issue further guidance on personal information export mechanisms, including circumstances where the standard contractual clauses cannot be used and/or start taking enforcement action, we could suffer additional costs, complaints, and/or regulatory investigations or fines. Moreover, if we are otherwise unable to transfer personal information between and among countries and regions in which we operate, it could affect the manner in which we provide our services and could adversely affect our financial results.

Several other foreign jurisdictions have adopted or are considering adopting new or updated comprehensive privacy legislation to offer additional data privacy protections for individuals. For example, in Brazil, the General Data Privacy Law, which was signed into law in August 2018 and was subject to enforcement beginning in August 2021, imposes detailed rules for the collection, use, processing and storage of personal data. Similarly, in India, a committee formed by the Indian government issued a report and draft data protection bill in July 2018, which was updated in December 2019 by the Ministry of Electronics and Information Technology and remains subject to continuing joint parliamentary review. Similarly, data privacy laws have been enacted in a number of jurisdictions, including, but not limited to, the European Union, Illinois and California, which regulate the collection of certain biometric data regarding individuals, including their facial images, and the use of such data, including in facial recognition systems. Private and class plaintiffs have successfully asserted claims in settled litigation relating to the processing and storage of photographs under biometric privacy laws. Similar laws have also been introduced in several additional states. We have entered into certain contractual agreements that may implicate or make use of such technology. Such laws may have the effect of adversely impacting our ability to grow our business in that area. Although we are closely monitoring regulatory developments in this area, any actual or perceived failure by us to comply with any regulatory requirements or orders or other domestic or international privacy or consumer protection-related laws and regulations could result in proceedings or actions against us by governmental entities or others (e.g., class action litigation), subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and adversely affect our business.

Data protection legislation is also becoming increasingly common in the United States at both the federal and state level. For example, in June 2018, the State of California enacted the CCPA, which came into effect on January 1, 2020. The CCPA requires, among other things, companies that collect personal information about California residents to make new disclosures to those residents about their data collection, use and sharing practices, allows residents to opt out of certain data sharing with third parties, and provides a new cause of action for data breaches. However, the California Privacy Rights Act (“CPRA”), certified by the California Secretary of State to appear as a ballot initiative, was passed by Californians during the November 3, 2020 election. The CPRA, which will come into effect on January 1, 2023 (with a look back to January 2022), amends and expands the CCPA to add additional disclosure obligations (including an obligation to disclose retention periods or criteria for categories of personal information), grant consumers additional rights (including rights to correct their data, limit the use and disclosure of sensitive personal information, and opt out of the sharing of personal information for certain targeted behavioral advertising purposes), and establishes a privacy enforcement agency known as the California Privacy Protection Agency (“CPPA”). The CPPA will serve as California’s chief privacy regulator, which will likely result in greater regulatory activity and enforcement in the privacy area. Other states have also considered or are considering privacy laws similar to the CCPA. Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data. The scope and interpretation of data privacy and cybersecurity regulations continues to evolve, and we believe that the adoption of increasingly restrictive regulations in this area is likely in the near future within the U.S. at both state and federal levels. The burdens imposed by the CCPA, the CPRA and other similar laws that may be enacted at the federal and state level may require us to modify our data processing practices and policies and to incur substantial costs in order to investigate, comply and defend against potential private class-action litigation.

Further, we may be or become subject to data localization laws mandating that data collected in a foreign country be processed and stored only within that country. Russia adopted such a law in 2014, and, in 2018, India introduced a bill, which was updated in December 2019, requiring local storage of certain personal data of Indian data principals. Such data localization requirements may have cost implications for us, impact our ability to utilize the efficiencies and value of our global network, and could affect our strategy. Further, if other countries in which we have customers were to adopt data localization laws, we could be required to expand our data storage facilities there or build new ones in order to comply. The expenditure this would require, as well as costs of ongoing compliance, could harm our financial condition.

Cybersecurity breaches and improper access to or disclosure of data or confidential information we maintain, or hacking or phishing attacks on our systems, could expose us to liability, protracted and costly litigation and damage our reputation.

As a global technology business, we and our third-party service providers collect and maintain confidential information and personal data about our employees, customers, contributors and other third parties, in connection with marketplace-related processes on our websites and, in particular, in connection with processing and remitting payments to and from our customers and contributors, and we are therefore exposed to security and fraud-related risks, which are likely to become more challenging as we expand our operations. We also rely heavily on our networks, and on the networks of third-party service providers for the secure storage, processing and transmission of confidential and other information and generally to conduct our business. Although we maintain security features on our websites and utilize encryption and authentication technology, our cybersecurity measures may not detect or prevent all attempts, whether intentional or unintentional, to hack our systems, denial-of-service attacks, malware (including viruses and malicious software), break-ins, phishing attacks, ransomware, other social engineering attacks, cybersecurity breaches or other attacks and disruptions that may jeopardize our networks and the security of information stored in and transmitted by our networks and websites.

We use third-party service providers, including payment processors and co-location and cloud service vendors for our data centers and application hosting, to operate our business, and their security measures may not prevent cybersecurity incidents and other disruptions that may jeopardize their networks and the security of information stored in and transmitted by their networks. Some of the software and services that we use to operate our business, including our internal e-mail, payment processor and customer relationship management software, are also hosted by third parties. It is possible that our security measures or the security measures of our third-party service providers might be breached due to employee error, inadequate use of cybersecurity controls by customers, contributors or employees, malfeasance, system errors or vulnerabilities, or otherwise. Any such breach or unauthorized access could result in the loss of control of confidential or personal information, disruption to our business operations and significant legal and financial exposure, as well as damage to our reputation, and a loss of confidence in the security of our products and services that could potentially have an adverse effect on our business. In addition, a significant cybersecurity breach or cyber-attack could result in payment networks prohibiting us from processing transactions on their networks.

Although cybersecurity and the continued development and enhancement of the processes, practices and controls that are designed to protect our systems, computers, software, data and networks from attack, damage, disruption or unauthorized access are a high priority for us, because the techniques used to attack, damage, disrupt or obtain unauthorized access are constantly evolving in sophisticated ways to avoid detection and often are not recognized until launched against a target, our efforts may not be enough to anticipate or prevent a party from circumventing our security measures, or the security measures of our third-party service providers, and accessing and misusing the confidential or personal information of our employees, customers and contributors and / or our networks. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose users and customers. We may also be required to expend significant capital and other resources to protect against such cybersecurity incidents to alleviate problems caused by such incidents. While we continually work to safeguard our internal network systems and validate the security of our third-party providers, to mitigate these potential risks, including through information security policies and employee awareness and training, there is no assurance that such actions will be sufficient to prevent cyber-attacks or cybersecurity breaches. Proposed

SEC rulemaking undertakes to expand security incident reporting requirements and may subject us to additional and uncertain requirements in the event of an actual or perceived security incident. Any actual or perceived breach or the perceived threat of an attack or breach, could cause our customers, contributors and other third parties to cease doing business with us, or subject us to lawsuits, regulatory fines, criminal penalties, statutory damages, and other costs, including for provision of breach notices and credit monitoring to our customers, and other action or liability, and could lead to business interruption, any of which could harm our reputation, business, financial condition, results of operations and stock price.

Failure to protect our intellectual property could substantially harm our business and operating results.

We regard our patents, trade secrets, trademarks, copyrights and our other intellectual property rights as critical to our success. We rely on trademark, copyright and patent law, trade secret protection, and non-disclosure agreements and other contractual restrictions to protect our proprietary rights. We have registered “Shutterstock,” “Shutterstock Editorial,” “Asset Assurance,” “Offset,” “Bigstock,” “Rex Features,” “PremiumBeat,” “TurboSquid,” “PicMonkey,” “Pattern89,” “Shotzr,” “Pond5,” “Splash News,” “Shutterstock Studios” and “Shutterstock Editor” and associated logos and other marks as trademarks in the United States and other jurisdictions and we are the registered owner of the shutterstock.com, bigstock.com, offset.com, premiumbeat.com, rexfeatures.com, turbosquid.com, picmonkey.com, pond5.com and splashnews.com internet domain names and various other related domain names. Effective intellectual property protection for our trademarks and domain names may not be available or practical in every country in which we operate or intend to operate.

Despite our efforts to protect our intellectual property rights and trade secrets, unauthorized parties may attempt to copy aspects of our intellectual property, trade secrets and other confidential information, or adopt domain names, trademarks or service names confusingly similar to ours. In order to protect our trade secrets and other confidential information, we rely in part on confidentiality agreements with our employees, consultants and third parties with which we have relationships. These agreements may not effectively prevent disclosure of trade secrets and other confidential information and may not provide an adequate remedy in the event of misappropriation of trade secrets or any unauthorized disclosure of trade secrets or other confidential information.

Policing our intellectual property rights is difficult, costly and may not always be effective. Litigation or proceedings to enforce our intellectual property rights, to protect our patent rights, copyrights, trademarks, trade secrets and domain names and to determine the validity and scope of the proprietary rights of others is and will be necessary to enforce our intellectual property rights. The monitoring and protection of our intellectual property rights may become more difficult, costly and time consuming as we continue to expand internationally, particularly in certain markets, such as China and certain other developing countries in Asia, in which legal protection of intellectual property rights is less robust than in the United States and Europe. Our efforts to enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources and management time, each of which could substantially harm our operating results.

Much of the software and technologies used to provide our services incorporate, or have been developed with, “open source” software, which may restrict how we use or distribute our services or require that we publicly release certain portions of our source code.

Much of the software and technologies used to provide our services incorporate, or have been developed with, “open source” software. Such “open source” software may be subject to third-party licenses that impose restrictions on our software and services. Examples of “open source” licenses include the GNU General Public License and GNU Lesser General Public License. Such open source licenses typically require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. Few courts have interpreted open source licenses, and the way these licenses may be interpreted and enforced is therefore subject to some uncertainty. If portions of our proprietary technology are determined to be subject to an open source license, we could be required to publicly release portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our services and technologies and materially and adversely affect our ability to sustain and grow our business. If an author or other third-party that distributes open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our services that contained the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our services. The use of open source software can also carry security risks arising from unknown vulnerabilities that can be exploited by malware in unanticipated ways, which can lead to disruption and / or harm to operations and protected data.

Catastrophic events or other interruptions or failures of our information technology systems could hurt our ability to effectively provide our products and services, which could harm our reputation and brand and adversely affect our business and operating results.

Our third-party service providers, including cloud service providers could be disrupted by fire, flood, power loss, telecommunications failure, earthquakes, acts of war or terrorism, acts of God, malware (including viruses and malicious software), physical or electronic break-ins and other similar events or disruptions. Our principal executive offices are located in New York City, a region that has experienced acts of terrorism in the past. Any one of these events could cause system interruption, delays and loss of critical data and could prevent our websites, e-commerce platform and infrastructure from functioning effectively, if at all. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages. Any insufficiency in our redundancy or disaster recovery capabilities could make our products and service offerings less attractive, subject us to liability and could be harmful to our business. In addition, we may have inadequate insurance coverage to compensate for any related loss. Any of these events could damage our reputation and cause a material adverse effect on our financial condition.

Risks Related to our International Operations

Our international operations and our continued expansion internationally expose us to many risks.

Revenues derived from customers outside of the United States comprise a significant portion of our revenues and we seek to expand our international operations to attract customers and contributors in countries other than the United States as a critical element of our business strategy. For each of the years ended December 31, 2022, 2021 and 2020, approximately 60%, 66% and 67%, respectively, of our revenue was derived from customers located outside of the United States. Our ability to expand our business and attract talented employees, as well as customers and contributors, in an increasing number of international markets requires considerable management attention and resources and is subject to the challenges of supporting a growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. If we fail to deploy, manage or oversee our international operations successfully, our business may suffer.

Our international presence exposes us to additional risks, including risks associated with:

- modifying our technology and marketing and localizing our offerings for customers’ and contributors’ preferences, customs and language;
- legal, political or systemic restrictions on the ability of U.S. companies to do business in foreign countries, including, among others, restrictions imposed by the U.S. Office of Foreign Assets Control (“OFAC”) on the ability of U.S. companies to do business in certain specified foreign countries or with certain specified organizations and individuals;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar laws in other jurisdictions;
- compliance with foreign laws and regulations, including with respect to disclosure requirements, privacy, consumer and data protection, marketing restrictions, human rights, rights of publicity, intellectual property, technology and content;
- government regulation of e-commerce and other services and restrictive governmental actions on the distribution of content, such as filtering or removal of content;
- disturbances in a specific country’s or region’s political, economic or military conditions, including potential sanctions (e.g., civil, political and economic conditions in markets including but not limited to Russia, Ukraine and the Crimean peninsula);
- lower levels of consumer spending in foreign countries or lack of adoption of the internet as a medium of commerce;
- longer payment cycles in some countries, increased credit risk, and higher levels of payment fraud;
- reduced protection for our or our contributors’ intellectual property rights in certain countries;
- laws that grant rights that may conflict with our business operations;
- enhanced difficulties of integrating any foreign acquisitions;
- difficulty in staffing, developing, managing and overseeing foreign operations as a result of travel distance, language and cultural differences as well as infrastructure, human resources and legal compliance costs;

- difficulty enforcing contractual rights in our license agreements;
- potential adverse global tax consequences, especially those that may result from the expected proactive global development of greater efforts to identify, capture and subject to income and transactional tax, e-commerce revenue earned solely via the internet;
- currency exchange fluctuations, hyperinflation, or devaluation;
- strains on our financial and other systems to properly comply with, and administer, VAT, withholdings, sales and other taxes; and
- higher costs associated with doing business internationally.

These risks may make it impossible or prohibitively expensive to expand to new international markets, delay entry into such markets, or require us to enter into commercial arrangements with local partners, all of which may affect our ability to grow our business. As international e-commerce and other online and web services grow, competition is expected to intensify and local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, the local customer. If we do not effectively enter new international markets, our competitive advantage may be harmed.

We are subject to foreign exchange risk.

As of December 31, 2022, we had operations based in a number of territories outside of the United States and a significant portion of our business may be transacted in currencies other than the U.S. dollar, including the euro, the British pound, the Australian dollar and the Japanese yen. Because our financial results are reported in U.S. dollars, fluctuations in the value of the euro, British pound, Australian dollar, Japanese yen and other currencies against the U.S. dollar have had and will continue to have a significant effect on our reported financial results. Exchange rates have been volatile in recent years and such volatility may persist due to economic and political circumstances.

A decline in the value of any of the foreign currencies in which we receive revenues, including the euro, British pound, Australian dollar and Japanese yen, against the U.S. dollar will tend to reduce our reported revenues and expenses, while an increase in the value of any such foreign currencies against the U.S. dollar will tend to increase our reported revenues and expenses. Variations in exchange rates can significantly affect the comparability of our financial results between financial periods. As we further expand our international operations, our exposure to foreign exchange risk will increase.

At this time, we do not, but we may in the future, enter into derivatives or other financial instruments in order to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations and any future actions we may take with respect to hedging our foreign currency exchange risk may be unsuccessful.

Risks Related to Regulatory and Tax Challenges

Government regulation of the internet, both in the United States and abroad, is evolving and unfavorable changes could have a negative impact on our business.

The adoption, modification or interpretation of laws or regulations relating to the internet, e-commerce or other areas of our business could adversely affect how we conduct our business or the overall popularity and growth of internet use. Such laws and regulations may cover a vast array of activities. For example, automatic contract or subscription renewal, credit card fraud and processing, sales, advertising, taxation, tariffs, data privacy, management and storage, cybersecurity, pricing, content, copyrights, distribution, electronic contracts, consumer protection, outsourcing, broadband residential internet access, internet neutrality and the characteristics and quality of products or services, and intellectual property ownership and infringement are all subject to jurisdictional laws and regulations. In certain countries, including European jurisdictions in particular, certain of these laws may be more restrictive than in the United States. It is not clear how some existing laws governing issues such as property ownership, sales and other taxes, data privacy and security apply to the internet and e-commerce as many of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or e-commerce.

Those laws that relate to the internet are at various stages of development and are subject to amendment, interpretation or repeal by the courts and agencies, and thus, the scope and reach of their applicability can be uncertain. For example, in 2010, California's Automatic Renewal Law went into effect, requiring companies to adhere to enhanced disclosure requirements when entering into automatically renewing contracts with consumers. Several other states have adopted, or are considering the adoption of, consumer protection policies or legal precedents that purport to void or substantially limit the automatic renewal provisions of consumer contracts or free or discounted trial incentives, as well. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in litigation, damage to our reputation, lost business and proceedings or actions against us by governmental entities or others, which could impact our operating results.

Compliance with new regulations or legislation or new interpretations of existing regulations or legislation could cause us to incur additional expenses, make it more difficult to renew subscriptions automatically, require us to display specific disclaimers, require us to obtain consent from users for certain activities, make it more difficult to attract new customers, require us to implement costly security or other measures before users can utilize our services, or otherwise require us to alter our business model, or cause us to divert resources and funds to address government or private investigatory or adversarial proceedings. Further, the law related to the liability of providers of online services for activities of their users is currently unsettled both within the United States and abroad. Claims may also be threatened against us for aiding and abetting, defamation, negligence, copyright or trademark infringement, or other reasons based on the nature and content of information that we collect or use, or to or from which we provide links or that may be posted online. Any of these outcomes could have a material adverse effect on our business, financial condition or results of operations.

Action by governments to restrict access to, or operation of, our services or the content we distribute in their countries could substantially harm our reputation, business and financial results.

Foreign governments, or internet service providers acting pursuant to foreign government policies or orders, of one or more countries may seek to limit content available through our e-commerce platform in their country, restrict access to our products and services from their country entirely, or impose other restrictions that may affect the accessibility of our services in their country for an extended period of time or indefinitely if our services, or the content we distribute, are deemed to be in violation of their local laws and regulations. For example, domestic internet service providers have previously blocked access to Shutterstock in China and other countries, such as Russia, have previously restricted access to specific content available from the Shutterstock platform. There are substantial uncertainties regarding interpretation of foreign laws and regulations that may limit content available through our platform and we may be forced to significantly change or discontinue our operations in such markets if we were to be found in violation of any new or existing law or regulation. If access to our services is restricted, in whole or in part, in one or more countries or our competitors can successfully penetrate geographic markets that we cannot access, our reputation among our customers, contributors and employees may be negatively impacted, our ability to retain or increase our contributor and customer base may be adversely affected, we may not be able to maintain or grow our revenue as anticipated, and our financial results could be adversely affected.

Income tax laws or regulations could be enacted or changed and existing income tax laws or regulations could be applied to us in a manner that could increase the costs of our products and services, which could harm our financial condition and results of operations.

We believe that our worldwide provision for income taxes is reasonable, but our ultimate income tax liability may differ from the amounts recorded in our financial statements. Any additional income tax liability may have a material adverse effect on our financial results in the period or periods in which such additional liability arises. We have established reserves for such additional income tax liabilities as we believe are appropriate. However, there can be no assurance that our ultimate income tax liability will not exceed those reserves.

Income tax law and regulatory changes in the U.S., the E.U. and other jurisdictions, including income tax law and regulatory changes that may be enacted by the U.S. federal and state governments or as a result of tax policy recommendations from organizations such as the Organization for Economic Co-operation and Development (the “OECD”), have and may continue to have an impact on our financial condition and results of operations.

Specifically, the enactment of the TCJA has had and may continue to have a significant effect on our financial statements. Certain provisions of the TCJA may be amended by future legislation or, by their terms, are scheduled to change or expire on specified dates. In addition, questions remain regarding the interpretation and implementation of the TCJA. Potential regulatory or legislative action to address questions under the TCJA and changes in accounting standards for income taxes or related interpretations in response to the TCJA could cause uncertainty regarding the effect of the TCJA on our provision for income taxes. Moreover, foreign jurisdictions and administrative bodies that have raised concerns about certain provisions of the TCJA might formally challenge those provisions or adopt legislation contrary to those provisions. Such a response could eliminate or reduce the benefits that we have derived or may derive from the TCJA.

Fiscal authorities in many foreign jurisdictions have increased their scrutiny of the potential taxation of e-commerce businesses. On October 8, 2021, the OECD announced that over 130 countries had reached a two-pillar agreement to address tax challenges presented by the digitalization of the global economy. Pillar One would require the largest and most profitable multinational enterprises to allocate a portion of their profits to markets where they derive revenue, regardless of whether they maintain a physical presence in those markets. Initially, the profit allocation rule would apply only to multinational enterprises with more than €20 billion in global annual revenues and a profit margin above 10%. The revenue threshold would be reduced to €10 billion beginning seven years after the effective date of Pillar One. Pillar Two would subject multinational enterprises with annual revenue of more than €750 million to a global minimum income tax at a rate of 15%. Based on current U.S. income tax law, disparities exist between the U.S. minimum income tax under GILTI and the proposed Pillar Two framework. To assist in the implementation of Pillar Two, the OECD published detailed model legislation on December 20, 2021, and related commentary on March 14, 2022. The participating countries are expected to implement the OECD's two-pillar agreement by entering into a multilateral convention and enacting domestic legislation by 2024. Such legislation could increase our global effective tax rate and have a material effect on our financial position and results of operations.

To prevent double taxation as a result of the profit allocation rule, the multilateral convention would require the removal of all existing digital services taxes and prohibit the introduction of new digital services taxes. Until the convention is adopted, however, countries that had previously enacted a digital services tax, may continue to impose their tax. The continued imposition of digital services taxes may have a material effect on our financial condition and results of operations.

We may be exposed to greater than anticipated withholding, sales, use, value added and other non-income tax liabilities, including as a result of future changes in laws or regulations, which could harm our financial condition and results of operations.

We are subject to non-income taxes, including withholding, sales, use and value added taxes, in various jurisdictions in which we conduct business. Fiscal authorities in one or more of those jurisdictions may contend that our non-income tax liabilities are greater than the amounts we have accrued and/or reserved for. Moreover, future changes in non-income tax laws or regulations may materially increase our liability for such taxes in future periods.

Significant judgment is required in determining our exposure for non-income taxes. These determinations are highly complex and require detailed analysis of the available information and applicable statutes and regulatory materials. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Moreover, certain jurisdictions in which we do not collect or pay withholding, sales, use, value added or other non-income taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect or pay such taxes in the future.

We continue to evaluate the impact, if any, of the imposition of sales tax on customer demand for our products and results of operations. Recent legislation, including legislation relating to the U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.*, has, and will continue to, significantly increase the effort, resources and costs associated with the collection and compliance burden for sales tax.

The prospective taxation by multiple jurisdictions of e-commerce businesses could also subject us to exposure to withholding, sales, use, value added and other non-income taxes on our past and future transactions in jurisdictions in which we currently are, or in the future may be, required to report taxable transactions. A successful assertion by a jurisdiction that we failed to pay such taxes, or the adoption of new laws requiring the registration for, collection of, and/or payment of such taxes, could result in substantial tax liabilities related to past, current and future sales and other transactions, create increased administrative burdens and costs, discourage customers from purchasing content from us, or otherwise substantially harm our business and results of operations. We are currently subject to and in the future may become subject to additional compliance requirements for certain of those taxes. Where appropriate, we have made accruals for those taxes, which are reflected in our consolidated financial statements. Changes in the estimates or assumptions underlying those accruals could have an adverse effect on our financial condition.

Risks Related to Ownership of Our Common Stock

Our operating results may fluctuate, which could cause our results to fall short of expectations and our stock price to decline.

Our revenue and operating results could vary significantly from quarter to quarter and year to year due to a variety of factors, many of which are outside our control. As a result, comparing our operating results on a period to period basis may not be meaningful.

Because of the risks described in this "Risk Factors" section and others, it is possible that our future results may be below our expectations and the expectations of analysts and investors. In such an event, the price of our common stock may decline significantly.

Our stock price has been and will likely continue to be volatile.

The trading price of our common stock has fluctuated and may continue to fluctuate substantially. Since 2015, the reported high and low sales prices per share of our common stock have ranged from $25.44 to $128.36 through February 10, 2023. These fluctuations could cause our stockholders to lose all or part of their investment in our common stock since they may be unable to sell their shares at or above the price at which they purchased such shares.

The trading price of our common stock depends on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. Factors that could cause fluctuations in the trading price of our common stock include, but are not limited to, the following:

- changes in projected operational and financial results;
- announcements about our share repurchase program, including purchases or the suspension of purchases under the program;
- issuance of new or updated research or reports by securities analysts;
- the use by investors or analysts of third-party data regarding our business that may not reflect our actual performance;
- fluctuations in the valuation of companies perceived by investors or analysts to be comparable to us;
- the financial guidance we may provide to the public, any changes in such guidance, or our failure to meet such guidance;
- a reduction in the amount of cash dividends on our common stock, the suspension of those dividends or a failure to meet market expectations regarding dividends;
- additions or departures of key senior management;
- our capital allocation strategy;
- fluctuations in the trading volume of our common stock;
- limited “public float” in the hands of a small number of investors whose sales (or lack of sales) could result in positive or negative pricing pressure on the market price for our common stock; and
- general economic and market conditions.

Furthermore, the stock market has experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock. In the past, certain companies that have experienced volatility in the market price of their common stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from other business concerns, which could seriously harm our business.

Jonathan Oringer, our founder and Executive Chairman of the Board, owns and controls approximately 32.6% of our outstanding shares of common stock, and his ownership percentage may increase, including as a result of any share repurchases pursuant to our share repurchase program. This concentration of ownership may have an effect on matters requiring the approval of our stockholders, including elections to our board of directors and transactions that are otherwise favorable to our stockholders.

As of February 10, 2023, Jonathan Oringer, our founder, Executive Chairman of the Board, and our largest stockholder, beneficially owned approximately 32.6% of our outstanding shares of common stock. This concentration of ownership may delay, deter or prevent a change in control, and may make some transactions more difficult or impossible to complete without the support of Mr. Oringer, regardless of the impact of such transaction on our other stockholders. Additionally, Mr. Oringer has significant influence over management and major strategic investments as a result of his position as Executive Chairman of the Board.

Furthermore, if we purchase additional shares pursuant to our share repurchase program, Mr. Oringer’s ownership percentage would increase, and, depending on the magnitude of our repurchases and other factors impacting dilution, could result in his owning a majority of the outstanding shares of our common stock. If Mr. Oringer were to own a majority of the outstanding shares of our common stock, he would have the ability to control the outcome of certain matters requiring stockholder approval, including the election and removal of our directors and significant corporate transactions. This could also trigger certain change in control provisions in our employment agreements and agreements relating to certain outstanding equity awards.

Purchases of shares of our common stock pursuant to our share repurchase program may affect the value of our common stock and diminish our cash reserves, and there can be no assurance that our share repurchase program will enhance stockholder value.

Pursuant to our share repurchase program which was publicly announced in November 2015, we were authorized to repurchase up to $100 million of our outstanding common stock. In February 2017, our Board authorized us to repurchase up to an additional $100 million of our outstanding common stock. As of December 31, 2022, there was no remaining authorization for purchases under the share repurchase program. Our board may authorize additional purchases at any time. The timing and amount of any share repurchases will be determined based on market conditions, share price and other factors, and we are not obligated to repurchase any shares. Repurchases of our shares could increase (or reduce the size of any decrease in) the market price of our common stock at the time of such repurchases. Our board has the right to amend or suspend the share repurchase program at any time or terminate the share repurchase program upon a determination that termination would be in our best interests. Additionally, repurchases under our share repurchase program have diminished and would continue to diminish our cash reserves, which could impact our ability to pursue possible strategic opportunities and acquisitions and could result in lower overall returns on our cash balances. Further, under the Inflation Reduction Act of 2022, a 1% excise tax is imposed on the fair market value of certain net stock purchases, which could increase the cost of repurchasing shares of our common stock. There can be no assurance that any share repurchases will enhance stockholder value, as the market price of our common stock may nevertheless decline.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is likely to be influenced by the reports that industry or securities analysts publish about us, our business, our market or our competitors. If any of the analysts who cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who covers us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Future sales of our common stock in the public market could cause our share price to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for our stockholders to sell their common stock at a time and price that they deem appropriate.

As of February 10, 2023, we had 35,841,933 shares of common stock outstanding. All shares of our common stock are freely transferable without restriction or registration under the Securities Act, except for shares held by our “affiliates,” which remain subject to the restrictions set forth in Rule 144 under the Securities Act.

We filed registration statements on Form S-8 under the Securities Act covering shares of common stock issuable pursuant to options and shares reserved for future issuance under our 2022 Omnibus Equity Incentive Plan and our 2012 Omnibus Equity Incentive Plan. Shares issued pursuant to such options and plans can be freely sold in the public market upon issuance and vesting, subject to the terms of the award agreements delivered under such plans, unless they are held by “affiliates,” as that term is defined in Rule 144 of the Securities Act.

We may also issue our shares of common stock or securities convertible into our common stock from time to time in connection with a financing, acquisition, investment or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our Company and may affect the trading price of our common stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions that:

- authorize blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock;
- limit the liability of, and provide indemnification to, our directors and officers;
- limit the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;

- require advance notice of stockholder proposals and the nomination of candidates for election to our board of directors;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause; and
- limit the determination of the number of directors on our board and the filling of vacancies or newly created seats on the board to our board of directors then in office.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without the prior approval of our board of directors and, in certain cases, the vote of two-thirds of the shares not held by such stockholder.

These provisions of our charter documents and Delaware law, alone or together, could delay or deter hostile takeovers and changes in control or changes in our management. Any provision of our amended and restated certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

There can be no assurance that we will declare dividends in the future.

Beginning in 2020, we have paid a quarterly dividend and currently expect to declare and pay cash dividends on a quarterly basis in the future. Any future dividend payments, however, will be within the discretion 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 that our Board of Directors may deem relevant. We may not have sufficient liquidity in the future to pay dividends on our common stock. As a result, in the future, we may not choose to, or be able to, declare or pay a cash dividend, and we may not achieve an annual dividend rate in any particular amount. In such event, the return, if any, on any investment in our common stock could depend solely on an increase, if any, in the market value of our common stock.

The reduction or elimination of our cash dividend program could adversely affect the market price of our common stock.

We have incurred and expect to continue to incur increased costs and our management will continue to face increased demands as a result of continuously improving our operations as a public company.

We have incurred and expect to continue to incur significant legal, tax, insurance, accounting and other expenses as a result of conducting our operations as a public company. For example, we have continued to upgrade our financial and business processing applications to accommodate the increased volume of products and transactions resulting from our growth to date. If we experience delays or difficulties in implementing these systems, or if we otherwise do not effectively manage our growth, we may not be able to execute on our business plan, respond to competitive pressures, take advantage of market opportunities, or satisfy customer requirements, among other things.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the Dodd-Frank Act and related regulations implemented by the SEC and the stock exchanges are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. We are currently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. Further, there may be uncertainty regarding the implementation of these laws due to changes in the political climate and other factors. Our compliance with Section 404 of the Sarbanes-Oxley Act has required and will continue to require that we incur substantial accounting expense and expend significant management efforts. We have incurred and expect to continue to incur costs to obtain directors' and officers' insurance as a result of operating as a public company, as well as additional costs necessitated by compliance matters and ongoing revisions to disclosure and governance standards.

Also, the TCJA amended Section 162(m) of the U.S. Internal Revenue Code, which denies a publicly held corporation a deduction for U.S. federal income tax purposes for compensation paid to certain covered employees to the extent that the compensation for a taxable year exceeds $1 million per employee. Before that amendment, Section 162(m) provided an exception for "performance-based compensation" that met certain requirements. The TCJA eliminated the exception for performance-based compensation, other than for certain arrangements in place before November 2, 2017, and expanded the group of employees covered by the limitation under Section 162(m). The American Rescue Plan Act, enacted on March 11, 2021, further expanded the group of covered employees to include an additional five most highly compensated employees, effective for taxable years beginning after December 31, 2026.

These and other increased costs associated with operating as a public company may decrease our net income or increase our net loss and may cause us to reduce costs in other areas of our business or increase the prices of our products or services to offset the effect of such increased costs. Additionally, if these requirements divert our management's attention from other business concerns, they could have a material adverse effect on our business, financial condition and results of operations.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to report our financial results accurately or in a timely fashion, and we may not be able to prevent fraud; in such case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our stock.

As a public company, we operate in an increasingly demanding regulatory environment, which requires us to comply with the Sarbanes-Oxley Act, and the related rules and regulations of the SEC, expanded disclosure requirements, accelerated reporting requirements and more complex accounting rules. Company responsibilities required by the Sarbanes-Oxley Act include establishing and maintaining corporate oversight and adequate internal control over financial reporting and disclosure controls and procedures. Effective internal control is necessary for us to provide reliable, timely financial reports and prevent fraud.

Our testing of our internal controls, or the testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that we would be required to remediate in a timely manner to be able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act each year. If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner each year, we could be subject to sanctions or investigations by the SEC, the New York Stock Exchange or other regulatory authorities which would require additional financial and management resources and could adversely affect the market price of our common stock. Furthermore, if we cannot provide reliable financial reports or prevent fraud, our business and results of operations could be harmed and investors could lose confidence in our reported financial information.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters and principal office is located in New York, New York, where we lease approximately 103,000 square feet of office space under a lease agreement, as amended, that expires in 2029. Additionally, we have other office facilities in the United States and abroad related to, among other things, sales and marketing support, technology services and customer service under operating lease agreements that expire on various dates during the period from 2023 through 2029. We do not have any material capital lease obligations, and our property, equipment and software have been purchased with cash.

We believe that our existing facilities are adequate for our current needs and that suitable additional or alternative space will be available on commercially reasonable terms to meet our future needs.

For additional information regarding obligations under operating leases, see Note 15 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 3. 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 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed on the New York Stock Exchange, or the NYSE, under the symbol “SSTK.”

Stockholders

As of February 10, 2023, there were 3 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, this number is not indicative of the total number of stockholders represented by these stockholders of record.

Unregistered Sales of Equity Securities

We did not sell any unregistered equity securities during the year ended December 31, 2022.

Dividend Policy

On February 11, 2020, our Board of Directors approved the initiation of a quarterly cash dividend. We currently expect to continue to pay cash dividends on a quarterly basis in the future. Future declaration 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. The dividend policy may be suspended or canceled at the discretion of our Board of Directors at any time.

Issuer Purchases of Equity Securities

We did not acquire any shares of our common stock during the three months ended December 31, 2022.

Equity Compensation Plan Information

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2022.

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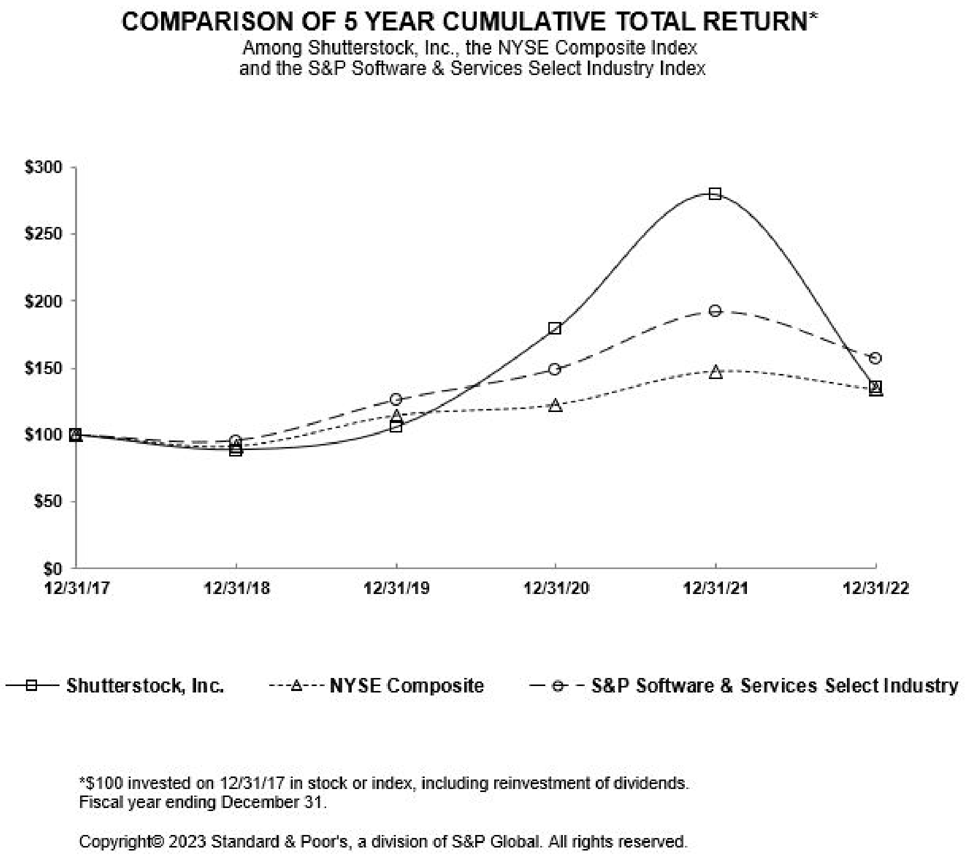
Performance Graph

The graph below matches Shutterstock, Inc.'s cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the NYSE Composite index and the S&P Internet Software & Services Select index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2017 to 12/31/2022.



	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022
Shutterstock, Inc.	100.00	88.58	105.48	179.00	279.18	134.81
NYSE Composite	100.00	91.05	114.28	122.26	147.54	133.75
S&P Software & Services Select Industry	100.00	95.62	125.72	148.85	191.58	156.89

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this filing. 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" disclosure in Item 1A above for additional discussion of the risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements.

Overview and Recent Developments

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

Our key content offerings include:

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

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

Shutterstock, our flagship brand, includes various content types such as image, footage, music and editorial. For customers seeking specialized solutions, Shutterstock Studios extends our offerings by providing custom, high-quality content matched with production tools and services at scale. In addition, our collection of images, footage clips, music tracks and 3D models is also distributed through our Computer Vision offering which is used by large technology companies to train AI models.

Pond5 is a video-first content marketplace which expands the Company's content offerings across footage, image and music. PicMonkey is a leading online graphic design and image editing platform. TurboSquid operates a marketplace that offers more than one million 3D models and a 2 dimensional ("2D") marketplace derived from 3D objects. Our Offset brand provides authentic and exceptional content for high-impact use cases that require extraordinary images, featuring work from top assignment photographers and illustrators from around the world. PremiumBeat offers exclusive high-quality music tracks and provides producers, filmmakers and marketers the ability to search handpicked production music from the world's leading composers. Bigstock maintains a separate content library tailored for creators seeking to incorporate cost-effective imagery into their projects.

Over 2.3 million active, paying customers contributed to our revenue in 2022. As of December 31, 2022, more than 2.3 million approved contributors made their images, footage and music tracks available in our collection, which has grown to 600 million images and 45 million footage clips as of December 31, 2022. This makes our collection of content one of the largest of its kind, and we delivered 173.3 million paid downloads to our customers across all of our brands during the year ended December 31, 2022.

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.

In October 2022, Shutterstock announced our strategic partnership with OpenAI, an AI research and deployment company. In 2023, Shutterstock integrated Dall-E 2, OpenAI's tool for AI-generated content into the Shutterstock platform to enable our customers to input keywords and generate unique images based on their specific criteria.

Through our platform, we primarily generate revenue by licensing content to our customers. During the year ended December 31, 2022, 61% 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 which include Shutterstock.com, pond5.com, premiumbeat.com, turbosquid.com and bigstock.com. E-commerce customers have the ability to purchase plans that are paid on either a monthly or annual basis or to license content on a transactional basis. E-commerce customers generally license content under our standard or enhanced licenses, with additional licensing options available to meet customers' individual needs.

Customers in our Enterprise sales channel generally have unique content, licensing and workflow needs. These customers benefit from communication with our dedicated sales, service and research teams which provide a number of personalized enhancements to their creative workflows including non-standard licensing rights, multi-seat access, ability to pay on credit terms, multi-brand licensing packages, increased indemnification protection and content licensed for use-cases outside of those available on our e-commerce platform. Customers in our enterprise sales channel may also benefit from access to (i) Shutterstock Editorial, which includes our library of editorial images and videos, (ii) Shutterstock Studios, our offering which provides custom, high-quality content matched with production tools and services at scale, and (iii) Computer Vision, our offering which provides metadata associated with our content collection, used to train AI models. Our range of solutions, including the depth of our API platform integrations, appeals to a broad and diverse customer base and enables us to adapt and evolve with the needs of our more high touch clients to deliver capabilities that embed deep within their workflows. Our Enterprise sales channel provided approximately 39% of our revenue in 2022.

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

Key Operating Metrics

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

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

Subscribers

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

Subscriber Revenue

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

Average Revenue Per Customer

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

Paid Downloads

We define paid downloads as the number of downloads that our customers make in a given period of our content. Paid downloads exclude content related to custom content, downloads of content that are offered to customers for no charge, including our free image of the week, and downloads associated with our Computer Vision offering. Measuring the number of paid downloads that our customers make in a given period is important because they are the primary method of delivering licensed content, which drives a significant portion of the Company's revenue and contributor royalties.

Revenue per Download

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

Content in our Collection

We define content in our collection as the total number of approved images (photographs, vectors and illustrations) and footage (in number of clips) in our library 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. Prior to December 31, 2022, this metric only included approved images and footage clips on shutterstock.com at the end of the period. We believe that our large selection of high-quality content enables us to attract and retain customers and drives our network effect.

The following table summarizes our key operating metrics, which are unaudited, for the years ended December 31, 2022, 2021 and 2020:

	Year Ended December 31,		
	2022	2021	2020
Subscribers (end of period)[1]	586,000	343,000	281,000
Subscriber revenue (in millions)[1]	$ 346.6	$ 317.5	$ 265.3
Average revenue per customer (last twelve months)[1]	$ 341	$ 368	$ 333
Paid downloads (in millions)	173.3	180.0	180.0
Revenue per download	$ 4.40	$ 4.16	$ 3.68
Content in our collection (end of period, in millions)			
Images	600	400	360
Footage clips	45	24	21

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

Basis of Presentation

Revenue

The majority of our revenues are earned from licensing content. Content licenses are generally purchased by our customers on a monthly or annual subscription basis, whereby a customer pays for a predetermined quantity of content that may be downloaded over a specific period of time, or, on a transactional basis, whereby a customer pays for individual content licenses at the time of download. Subsequent to the acquisition of PicMonkey, we also generate revenue from the license of tools available through our platform.

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

We recognize revenue upon the satisfaction of performance obligations. For content licenses, we recognize revenue on both our subscription-based and transaction-based products when content is downloaded by a customer, 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 our subscription products. For revenue associated with the license of tools available through our platform, the Company recognizes revenue on a straight-line basis over the subscription period. We expense 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 our customers purchase products by making an electronic payment with a credit card at the time of the transaction. Customer payments received in advance of revenue recognition are contract liabilities and are recorded as deferred revenue. Customers that do not pay in advance are invoiced and are required to make payments under standard credit terms. Collectability for customers who pay on credit terms allowing for payment beyond the date at which service commences, is based on a credit evaluation for certain new customers and transaction history with existing customers.

We recognize revenue gross of contributor royalties because we are the principal in the transaction as we are the party responsible for the performance obligation and control the product or service before transferring it to the customer. We also license content to customers through third-party resellers. Third-party resellers sell our products directly to customers as the principal in those transactions. Accordingly, we recognize revenue net of costs paid to resellers.

Costs and Expenses

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

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

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

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

Impairment of Lease and Related Assets. Impairment of lease and related assets includes impairment charges related to a portion of the Company's right-of-use assets and property and equipment triggered by the decision to cease using certain office spaces.

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 and expense.

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

Results of Operations

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

	Year Ended December 31,		
	2022	2021	2020
		(in thousands)	
Consolidated Statements of Operations:			
Revenue	$ 827,826	$ 773,415	$ 666,686
Operating expenses:			
Cost of revenue	314,306	277,659	259,573
Sales and marketing	203,154	204,878	159,241
Product development	65,434	52,014	46,038
General and administrative	132,644	130,758	116,568
Impairment of lease and related assets	18,664	—	—
Total operating expenses	734,202	665,309	581,420
Income from operations	93,624	108,106	85,266
Other (expense) / income, net	(2,587)	(3,370)	4,257
Income before income taxes	91,037	104,736	89,523
Provision for income taxes	14,934	12,853	17,757
Net income	$ 76,103	$ 91,883	$ 71,766

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

	Year Ended December 31,		
	2022	2021	2020
Consolidated Statements of Operations:			
Revenue	100 %	100 %	100 %
Operating expenses:			
Cost of revenue	38 %	36 %	39 %
Sales and marketing	25 %	26 %	24 %
Product development	8 %	7 %	7 %
General and administrative	16 %	17 %	17 %
Impairment of lease and related assets	2 %	— %	— %
Total operating expenses	89 %	86 %	87 %
Income from operations	11 %	14 %	13 %
Other (expense) / income, net	— %	— %	1 %
Income before income taxes	11 %	14 %	13 %
Provision for income taxes	2 %	2 %	3 %
Net income	9 %	12 %	11 %

Comparison of the Years Ended December 31, 2022 and December 31, 2021

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

	Year Ended December 31,			
	2022	2021	$ Change	% Change
	(in thousands)			
Consolidated Statements of Operations Data:				
Revenue	$ 827,826	$ 773,415	$ 54,411	7 %
Operating expenses:				
Cost of revenue	314,306	277,659	36,647	13
Sales and marketing	203,154	204,878	(1,724)	(1)
Product development	65,434	52,014	13,420	26
General and administrative	132,644	130,758	1,886	1
Impairment of lease and related assets	18,664	—	18,664	*
Total operating expenses	734,202	665,309	68,893	10
Income from operations	93,624	108,106	(14,482)	(13)
Other expense, net	(2,587)	(3,370)	783	(23)
Income before income taxes	91,037	104,736	(13,699)	(13)
Provision for income taxes	14,934	12,853	2,081	16
Net income	$ 76,103	$ 91,883	$ (15,780)	(17)%

* Not meaningful

Revenue

Revenue increased by $54.4 million, or 7%, to $827.8 million in 2022 as compared to 2021. On a constant currency basis, revenue increased approximately 11% in the year ended December 31, 2022, as compared to 2021. Approximately 18% and 7% of the Company's revenues were denominated in Euro and Pounds Sterling, respectively. These currencies have depreciated to historically low values compared to the U.S. dollar during the twelve months ended December 31, 2022. Other currencies we transact in, including the Japanese Yen and Australian Dollar also depreciated significantly during the period.

E-commerce revenues increased by 2%, to $501.4 million in 2022, as compared to 2021. On a constant currency basis, E-commerce revenues increased by 5% in 2022, as compared to 2021. During 2022, growth in our E-commerce sales channel was driven by revenue generated from our acquisitions of PicMonkey and Pond5 which were completed on September 3, 2021 and May 11, 2022, respectively. E-commerce revenue also benefited from higher subscriber revenue, which was offset by a reduction in revenue generated from our transactional products.

Enterprise revenues increased by 15%, to $326.4 million in 2022, as compared to 2021. On a constant currency basis, Enterprise revenues increased by 20% in 2022, as compared to 2021. The increase in Enterprise revenues was primarily driven by growth in our Computer Vision and multi-asset product offerings, in addition to revenue generated from our acquisitions of Pond5 and Splash News, which were completed on May 11, 2022 and May 28, 2022, respectively. Enterprise revenue growth also benefited from continued momentum in Shutterstock Studios and Shutterstock Editorial.

In the years ended December 31, 2022 and 2021, we delivered 173.3 million and 180.0 million paid downloads, respectively, and our revenue per download was $4.40 in 2022 compared to $4.16 in 2021. During 2022, the 6% increase in revenue per download, is primarily due to changes in product mix coupled with a reduction in paid download volumes.

Changes in our revenue by region were as follows: revenue from North America increased by $62.2 million, or 21%, to $353.2 million, revenue from Europe decreased by $10.5 million, or 4%, to $243.0 million and revenue from outside Europe and North America increased by $2.6 million, or 1%, to $231.6 million, in the year ended December 31, 2022 compared to 2021.

Cost and Expenses

Cost of Revenue. Cost of revenue increased by $36.6 million, or 13%, to $314.3 million in 2022 as compared to 2021. As a percent of revenue, cost of revenues increased to 38% for the year ended December 31, 2022, from 36% for 2021. This increase was primarily driven by: (i) increased depreciation and amortization expense driven by our recent acquisitions; (ii) increased royalty, content and reviewer costs; and (iii) higher costs associated with website hosting, hardware and software licenses. We expect that our cost of revenue will continue to fluctuate in line with changes in revenue and paid downloads.

Sales and Marketing. Sales and marketing expenses decreased by $1.7 million, or 1%, to $203.2 million in 2022 as compared to 2021. As a percent of revenue, sales and marketing expenses decreased to 25% for the year ended December 31, 2022, from 26% for 2021. The decrease in sales and marketing expenses was primarily driven by $15.7 million in lower marketing spend, partially offset by $5.2 million in higher employee-related costs and $2.6 million in higher non-cash compensation expense. In addition, the Company has incurred additional marketing expenses associated with second quarter live events and festivals. We expect sales and marketing expenses to continue to fluctuate as we optimize our sales channels and invest in new customer acquisition, products and geographies.

Product Development. Product development expenses increased by $13.4 million, or 26%, to $65.4 million in 2022 as compared to 2021. This increase was primarily driven by (i) $6.3 million in higher employee and third-party contractor related costs, net of capitalized labor for the twelve months ended December 31, 2022, (ii) $3.7 million in higher non-cash compensation expense and (iii) increased software and other IT-related costs for the twelve months ended December 31, 2022. We expect product development expenses, of which a portion will be capitalized, to continue in the foreseeable future, as we pursue opportunities to invest in developing new products and internal tools and enhance the functionality of our existing products and technologies.

General and Administrative. General and administrative expenses increased by $1.9 million, or 1%, to $132.6 million in 2022 as compared to 2021. This increase was primarily driven by (i) $4.3 million in professional fees related to our acquisitions of Pond5 and Splash News, (ii) $3.6 million increase in bad debt expense; (iii) $1.8 million related to realized foreign currency losses, (iii) $1.6 million in severance costs associated with a strategic workforce optimization initiative; and (iv) $1 million related to a donation to provide direct assistance to Shutterstock’s contributors in Ukraine. These increases were partially offset by (i) $6.9 million in lower non-cash compensation expense related to the departure of certain executives and expense associated with certain performance based awards, (ii) $1.9 million in lower depreciation and amortization expense and (iii) $1.2 million in lower employee-related costs.

Impairment of Lease and Related Assets. Impairment of lease and related assets was $18.7 million in 2022. In the fourth quarter of 2022, the Company completed an analysis of leased-office usage and (i) ceased using certain of its office space, including two floors of its headquarters in New York City as well as (ii) abandoned certain other smaller office spaces. This resulted in an $18.7 million impairment charge, of which $15.9 million and $2.8 million relates to right-of-use assets and property and equipment, respectively.

Other expense, net. During 2022, other expense, net substantially consisted of $1.3 million of expense due to foreign currency fluctuations and $1.3 million of interest expense related to the Credit Facility. 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.

During 2021, other expense, net substantially consisted of $3.3 million of expense due to foreign currency fluctuations.

Income Taxes. Income tax expense increased by $2.1 million, to $14.9 million in 2022 as compared to 2021. Our effective tax rates for the years ended December 31, 2022 and 2021 were approximately 16.4% and 12.3%, respectively.

The 2022 effective tax rate differs from the U.S. federal statutory tax rate primarily due to the foreign-derived intangible income deduction. The 2021 effective tax rate differs from the U.S. federal statutory rate primarily due to the foreign-derived intangible income deduction and the impact of a capital loss transaction.

Comparison of the Years Ended December 31, 2021 and December 31, 2020

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

	Year Ended December 31,			
	2021	2020	$ Change	% Change
	(in thousands)			
Consolidated Statements of Operations Data:				
Revenue	$ 773,415	$ 666,686	$ 106,729	16 %
Operating expenses:				
Cost of revenue	277,659	259,573	18,086	7
Sales and marketing	204,878	159,241	45,637	29
Product development	52,014	46,038	5,976	13
General and administrative	130,758	116,568	14,190	12
Total operating expenses	665,309	581,420	83,889	14
Income from operations	108,106	85,266	22,840	27
Other (expense) / income, net	(3,370)	4,257	(7,627)	(179)
Income before income taxes	104,736	89,523	15,213	17
Provision for income taxes	12,853	17,757	(4,904)	(28)
Net income	$ 91,883	$ 71,766	$ 20,117	28 %

Revenue

Revenue increased by $106.7 million, or 16%, to $773.4 million in 2021 as compared to 2020. On a constant currency basis, revenue increased approximately 15% in the year ended December 31, 2021, as compared to 2020. Our revenue growth in 2021 is primarily driven by revenue generated from our 2021 acquisitions and the increase in our subscription business. From 2020 to 2021, subscribers grew by 22% to 343,000 and subscriber revenue grew by 20% to $317.5 million.

E-commerce revenues increased by 19%, to $490.2 million in 2021 as compared to 2020. On a constant currency basis, E-commerce revenues increased by 16% in 2021, as compared to 2020. During 2021, growth in our E-commerce sales channel was primarily driven by increased subscriber revenue and revenue generated by our acquisitions of TurboSquid and PicMonkey, which were completed on February 1, 2021 and September 3, 2021, respectively.

Enterprise revenues increased by 11%, to $283.2 million in 2021 as compared to 2020. On a constant currency basis, Enterprise revenues increased by 10% in 2021, as compared to 2020 . We have continued to execute on our strategy 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 were one of the drivers of the increased deferred revenue balance as of December 31, 2021.

In the years ended December 31, 2021 and 2020, we delivered 180.0 million paid downloads, and our revenue per download increased to $4.16 in 2021, as compared to $3.68 in 2020. During 2021, the 13% increase in revenue per download, is primarily due to changes in product mix.

Changes in our revenue by region were as follows: revenue from North America increased by $54.4 million, or 23%, to $291.0 million, revenue from Europe increased by $32.8 million, or 15%, to $253.5 million and revenue from outside Europe and North America increased by $19.5 million, or 9%, to $229.0 million, in the year ended December 31, 2021 compared to 2020.

Cost and Expenses

Cost of Revenue. Cost of revenue increased by $18.1 million, or 7%, to $277.7 million in 2021 as compared to 2020. This increase was primarily driven by: (i) higher royalty expense, content procurement costs and credit card fees, associated with our increased revenue and (ii) increased depreciation and amortization expense driven by our recent acquisitions. In addition, in 2020, cost of revenue includes severance charges of $1.2 million. 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 increased by $45.6 million, or 29%, to $204.9 million in 2021 as compared to 2020. As a percent of revenue, sales and marketing expenses increased to 26% for the year ended December 31, 2021, from 24% for 2020. This increase was primarily driven by (i) $31.7 million in higher marketing spend which includes performance marketing, brand marketing and television ad spend, and (ii) $11.3 million in higher employee-related costs, primarily related to commissions associated with increased enterprise billings. In addition, for the year ended December 31, 2021 and 2020, sales and marketing expense includes severance charges of $2.2 million and $1.7 million, respectively. 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 increased by $6.0 million, or 13%, to $52.0 million in 2021 as compared to 2020. This increase was primarily driven by higher personnel costs and higher non-cash compensation expense. These increases were partially offset by a reduction in software and other IT-related costs, for the year ended December 31, 2021, as compared to 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 increased by $14.2 million, or 12%, to $130.8 million in 2021 as compared to 2020. This increase was primarily driven by (i) $5.9 million in higher employee-related costs in 2021 as compared to 2020, (ii) $4.7 million in higher non-cash compensation expense; and (iii) $4.3 million in higher professional fees, which were impacted by transaction costs associated with our acquisitions of TurboSquid and PicMonkey. These increases were partially offset by a $2.4 million decline in bad debt expense, and other reductions associated with ongoing vendor management initiatives. For the years ended December 31, 2021 and 2020, general and administrative expenses include severance charges of $0.5 million and $1.4 million, respectively.

Other (expense) / income, net. During 2021, other (expense) / income, net substantially consisted of $3.3 million of expense due to foreign currency fluctuations. We expect to experience future foreign currency gains and losses as the US Dollar fluctuates relative to non-US currencies in which we transact.

During 2020, approximately $3.1 million of other (expense) / income, net related to favorable foreign currency fluctuations, in addition to $1.2 million of interest income.

Income Taxes. Income tax expense decreased by $4.9 million to $12.9 million in 2021 as compared to 2020. Our effective tax rates for the years ended December 31, 2021 and 2020 were approximately 12.3% and 19.8%, respectively.

The 2021 effective tax rate differs from the U.S. federal statutory rate primarily due to the foreign-derived intangible income deduction and the impact of a capital loss transaction. The 2020 effective tax rate differs from the U.S. federal statutory rate primarily due to the foreign-derived intangible income deduction partially offset by other items.

Liquidity and Capital Resources

As of December 31, 2022, we had cash and cash equivalents totaling $115.2 million, which primarily consisted of bank balances. Since inception, we have financed our operations primarily through cash flows generated from operations. In addition, if necessary, we have the ability to draw on our credit facility, which was obtained on May 6, 2022.

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

Dividends

We declared and paid cash dividends of $0.96 per share of common stock, or $34.6 million during the year ended December 31, 2022.

On January 30, 2023, our Board of Directors declared a quarterly cash dividend of $0.27 per share of outstanding common stock payable on March 16, 2023 to stockholders of record at the close of business on March 2, 2023. The Company currently expects to continue to pay comparable cash dividends on a quarterly basis in the future. 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 December 31, 2022, we have repurchased approximately 3.8 million shares of our common stock under the share repurchase program at an average per-share cost of $52.97. During the year ended December 31, 2022, we repurchased approximately 984,000 shares of our common stock at an average per share cost of $74.02. As of December 31, 2022, we have fully utilized our authorization for purchases under the share repurchase program.

Stock Offering

On August 14, 2020, we completed an offering (the "Stock Offering"), whereby 2,580,000 shares of our common stock were sold to the public at a price to the public of $48.50 per share. We sold 516,000 shares of common stock in the Stock Offering and our Founder and Executive Chairman of the Board sold 2,064,000 shares of common stock in the Stock Offering. We received net proceeds from the shares sold, of approximately $23.2 million, after deducting underwriting discounts and commissions and offering expenses payable. We did not receive any proceeds from the shares sold by the Company's Founder and Executive Chairman of the Board.

Revolving Credit Facility

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

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

On May 9, 2022, we borrowed $50 million for use in connection with the acquisition of Pond5 and for general corporate purposes. As of December 31, 2022, we had outstanding borrowings under the Credit Facility of $50 million. As of December 31, 2021, we had no outstanding debt obligations. For the year ended December 31, 2022, the Company paid cash interest totaling $1.0 million and our annualized interest rate was 3.8%.

On January 27, 2023, we fully repaid our borrowings under the Credit Facility and had a remaining borrowing capacity of $98 million, net of standby letters of credit.

The Credit Facility contains financial covenants and requirements restricting certain of our activities, which are usual and customary for this type of loan. We are also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio, in each case, determined in accordance with the terms of the Credit Facility. As of December 31, 2022, we are in compliance with these covenants.

Sources and Uses of Funds

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

As of December 31, 2022, we had approximately $93 million in unconditional cash obligations, consisting primarily of purchase obligations related to contracts for cloud-based services, infrastructure and other business services as well as minimum royalty guarantees in connection with certain content licenses, of which the majority is due to be paid within the next two years. In addition, as of December 31, 2022, we had approximately $54 million in operating lease obligations with lease payments extending through 2029.

See Notes 15 and 16 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for information regarding our lease and other non-lease commitments, respectively, as of December 31, 2022.

Cash Flows

The following table summarizes our cash flow data for 2022, 2021 and 2020, respectively.

	Year Ended December 31,		
	2022	2021	2020
		(in thousands)	
Net cash provided by operating activities	$ 158,451	$ 216,372	$ 165,072
Net cash used in investing activities	$ (275,550)	$ (250,438)	$ (35,310)
Net cash used in financing activities	$ (79,487)	$ (77,722)	$ (4,587)

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 $158.5 million for the year ended December 31, 2022, compared to $216.4 million for the year ended December 31, 2021. The decline in cash provided by operating activities for the year ended December 31, 2022 was impacted by the timing of payments and cash receipts in the ordinary course of business which can cause operating cash flow to fluctuate from period to period.

Net cash provided by operating activities was $216.4 million for the year ended December 31, 2021, compared to $165.1 million for the year ended December 31, 2020. In the year ended December 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, in the year ended December 31, 2020, operating cash flows were impacted by $7.8 million in one-time payments associated with long-term incentives related to our 2017 acquisition of Flashstock.

Investing Activities

Our investing activities have consisted primarily of capital expenditures, business combinations, asset acquisitions, investments and content acquisitions. Capital expenditures include internal-use software and website development costs, purchases of software equipment, and capitalization of leasehold improvements. Capital expenditures are primarily attributable to investments in internally developed software. We continue to invest significantly in product development to enhance our customer experience and increase the efficiency with which we deploy new products and features. Cash used in investing activities totaled $275.6 million, $250.4 million and $35.3 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Cash used in investing activities for the year ended December 31, 2022 was $275.6 million, consisting primarily of (i) $211.8 million cash used in the acquisitions of Pond5 and Splash News, net of cash acquired; (ii) capital expenditures of $43.3 million for internal-use software and website development costs, and purchases of software and equipment, and (iii) $16.8 million paid to acquire the rights to distribute certain digital content in perpetuity.

Cash used in investing activities for the year ended December 31, 2021 was $250.4 million, consisting primarily (i) $181.6 million cash used in the acquisitions of TurboSquid and PicMonkey, net of cash acquired; (ii) $31.6 million cash used in the asset acquisitions of Pattern89, Inc., Datasine Limited and assets from Shotzr, Inc.; (iii) capital expenditures of $28.1 million for internal-use software and website development costs, and purchase of software and equipment, and (iv) $8.9 million to acquire the rights to distribute certain digital content in perpetuity.

Cash used in investing activities for the year ended December 31, 2020 was $35.3 million, consisting primarily of capital expenditures of $25.6 million for internal-use software and website development costs, and purchase of software and equipment, an investment of $5.0 million in a creative production and analytics platform, $3.0 million to acquire the rights to distribute certain digital content in perpetuity and $1.9 million associated with the acquisition of AI driven music technology.

Financing Activities

Our financing activities have consisted primarily of payments associated with cash dividends, settlements of tax withholding obligations related to employee stock-based compensation awards and repurchases of common stock under our share repurchase program. Our financing activities also includes proceeds from our Credit Facility, proceeds from our Stock Offering and proceeds received in connection with the exercise of stock options. Cash used in financing activities totaled $79.5 million, $77.7 million and $4.6 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Cash used in financing activities during 2022 primarily consisted of (i) $73.5 million in connection with the repurchase of common stock under our share repurchase program; (ii) $34.6 million, related to the payment of the quarterly cash dividend, and (iii) $22.6 million paid in settlement of tax withholding obligations related to employee stock-based compensation awards. These amounts were partially offset by approximately $50.0 million in proceeds received from our Credit Facility.

Cash used in financing activities during 2021 primarily consisted of (i) $30.7 million, related to the payment of the quarterly cash dividend; (ii) $26.5 million in connection with the repurchase of common stock under our share repurchase program, and (iii) $22.7 million, paid in settlement of tax withholding obligations related to employee stock-based compensation awards. These amounts were partially offset by approximately $2.1 million in proceeds received in connection with the exercise of stock options.

Cash used in financing activities during 2020 primarily consisted of $24.4 million related to the payment of the quarterly cash dividends and $4.5 million, paid in settlement of tax withholding obligations related to employee stock-based compensation awards. These amounts were partially offset by $23.2 million of proceeds from our Stock Offering, after deducting underwriting discounts, commissions and offering expenses paid and $1.2 million of proceeds received in connection with the exercise of stock options.

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.

These non-GAAP financial measures have not been calculated in accordance with GAAP and 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.

Shutterstock's 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 Shutterstock's 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 Shutterstock's 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 Shutterstock's 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 Shutterstock's underlying operating performance and 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 Shutterstock's operating performance. Management also believes that providing these non-GAAP financial measures enhances the comparability for investors in assessing Shutterstock's 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 internal-use software and website development costs 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 alongside 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, is presented below.

Adjusted EBITDA

We define adjusted EBITDA as net income adjusted for depreciation and amortization, non-cash equity-based compensation, impairment of lease and related assets, foreign currency transaction gains and losses, severance costs associated with strategic workforce optimizations, interest income and expense and income taxes. We define adjusted EBITDA margin as the ratio of adjusted EBITDA to revenue.

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

	Year Ended December 31,		
	2022	**2021**	**2020**
		(in thousands)	
Net income	$ 76,103	$ 91,883	$ 71,766
Add / (less) Non-GAAP adjustments:			
Depreciation and amortization	68,470	48,771	41,359
Non-cash equity-based compensation	35,740	36,179	28,309
Impairment of lease and related assets	18,664	—	—
Other adjustments, net[1]	4,163	3,370	(4,257)
Provision for income taxes	14,934	12,853	17,757
Adjusted EBITDA	$ 218,074	$ 193,056	$ 154,934
Adjusted EBITDA margin	26.3 %	25.0 %	23.2 %

(1) Included in other adjustments, net is foreign currency transaction gains and losses, severance associated with strategic workforce optimizations 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, impairment of lease and related assets, severance costs associated with strategic workforce optimizations and the estimated tax impact of such adjustments. We define adjusted net income per diluted common share as adjusted net income divided by weighted average diluted shares.

The following is a reconciliation of net income to adjusted net income for each of the periods indicated:

	Year Ended December 31,		
	2022	2021	2020
		(in thousands)	
Net income	$ 76,103	$ 91,883	$ 71,766
Add / (less) Non-GAAP adjustments:			
Non-cash equity-based compensation	35,740	36,179	28,309
Tax effect of non-cash equity-based compensation(1)	(8,397)	(8,502)	(6,653)
Acquisition-related amortization expense(2)	29,302	13,334	2,261
Tax effect of acquisition-related amortization expense(1)	(6,886)	(3,133)	(531)
Impairment of lease and related assets	18,664	—	—
Tax effect of impairment of lease and related assets(1)	(4,199)	—	—
Other	$ 1,576	$ —	$ —
Tax effect of other(1)	$ (355)	$ —	$ —
Adjusted net income	$ 141,548	$ 129,761	$ 95,152
Adjusted net income per diluted common share	$ 3.87	$ 3.48	$ 2.62
Weighted average diluted shares	36,546	37,324	36,369

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

(2) Of these amounts, $7.5 million and $5.3 million are included in cost of revenue for the three months ended December 31, 2022 and 2021, respectively, and $27.0 million and $10.2 million are included in cost of revenue for the years ended December 31, 2022 and 2021, respectively. The remainder of acquisition-related amortization expense is included in general and administrative expense in the Statement of Operations.

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.

	Year Ended December 31,		
	2022	2021	2020
Reported revenue (in thousands)	$ 827,826	$ 773,415	$ 666,686
Revenue growth	*7 %*	*16 %*	*2 %*
Revenue growth on a constant currency basis	*11 %*	*15 %*	*2 %*
E-commerce reported revenue (in thousands)	$ 501,384	$ 490,212	$ 412,521
E-commerce revenue growth	*2 %*	*19 %*	*5 %*
E-commerce revenue growth on a constant currency basis	*5 %*	*16 %*	*5 %*
Enterprise reported revenue (in thousands)	$ 326,442	$ 283,203	$ 254,165
Enterprise revenue growth	*15 %*	*11 %*	*(2)%*
Enterprise revenue growth on a constant currency basis	*20 %*	*10 %*	*(2)%*

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 twelve months ended December 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:

	Year Ended December 31,		
	2022	2021	2020
		(in thousands)	
Net cash provided by operating activities	$ 158,451	$ 216,372	$ 165,072
Capital expenditures	(43,296)	(28,125)	(25,630)
Content acquisitions	(16,821)	(8,874)	(2,970)
Payments related to long-term incentives related to acquisitions	—	—	7,759
Free Cash Flow	$ 98,334	$ 179,373	$ 144,231

Critical Accounting Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, or 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 assumptions and estimates associated with our revenue recognition, allowance for doubtful accounts, valuation of acquired 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 estimates.

Revenue Recognition

The majority of our revenues are 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. We also generate revenue from tools available through our platform.

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

We recognize revenues upon the satisfaction of performance obligations. For content licenses, we recognize revenues on both a subscription-based and transaction-based products when content is downloaded by a customer, at which time the license is provided. In addition, we estimate expected unused licenses for subscription-based products and recognize the estimated revenue associated with 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 our subscription products. For revenue associated with tools available through our platform, the Company recognizes revenue on a straight-line basis over the subscription period. We expense 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 our customers purchase products by making electronic payments with a credit card at the time of the transaction. Customer payments received in advance of revenue recognition are contract liabilities and are recorded as deferred revenue. Customers that do not pay in advance are invoiced and are required to make payments under standard credit terms. Collectability for customers who pay on credit terms allowing for payment beyond the date at which service commences, is based on a credit evaluation for certain new customers and transaction history with existing customers.

We recognize revenue gross of contributor royalties because we are the principal in the transaction as we are the party responsible for the performance obligation and we control the product or service before transferring it to the customer. We also license content to customers through third-party resellers. Third-party resellers sell our products directly to customers as the principal in those transactions. Accordingly, we recognize revenue net of costs paid to resellers.

Accounts Receivable and Allowance for Doubtful Accounts

Our accounts receivable consists of customer obligations due under normal trade terms, carried at their fair value less an allowance for doubtful accounts, if required. We determine our allowance for doubtful accounts based on an evaluation of the aging of our accounts receivable and on a customer-by-customer basis where appropriate. Our reserve analysis contemplates our historical loss rate on receivables, specific customer situations and the economic environments in which we operate.

Historically, the Company used an incurred loss model to calculate its allowance for doubtful accounts. Upon the adoption of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments* (“ASU 2016-13”) on January 1, 2020, the Company shifted to a current expected credit loss model.

As of December 31, 2022 and 2021, we had an allowance for doubtful accounts of $5.8 million and $1.9 million, respectively. Fluctuations in our allowance for doubtful accounts are primarily attributable to changes in the aging profile of our gross accounts receivable balances and specific customer situations arising during the year.

Income Taxes

Our income tax expense includes U.S. (federal and state) and foreign income taxes. Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered.

We account for unrecognized tax benefits using a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes may be due. We record an income tax liability for the difference, if any, between the benefit recognized and measured and the tax position taken or expected to be taken on our tax returns. To the extent that the assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The reserves are adjusted in light of changing facts and circumstances, such as the outcomes of tax audits or lapses in statutes of limitations. Any reserve for uncertain tax provisions and related penalties and interest is included in the income tax provision.

On a quarterly basis, we assess the realizability of deferred tax assets, based on the available evidence including a history of taxable income, estimates of future taxable income and planning strategies and a valuation allowance is recorded to the extent that it is not more likely than not that the deferred tax assets will be realized. Significant management judgment is required in determining the provision for income taxes and deferred tax assets and liabilities. In the event that actual results differ from these estimates, we will adjust these estimates in future periods which may result in a change in the effective tax rate in a future period.

The global intangible low-taxed income (“GILTI”) provisions of the TCJA impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. We have elected to treat any potential GILTI inclusions as a period cost.

Acquisitions

Business combinations are recorded at fair value and the purchase price is allocated to the assets acquired and liabilities assumed in the transaction. Assets acquired may include intangible assets such as customer relationships, trade names, developed technology and contributor content. Fair values are based on the exit price (i.e., the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date) and valuation methods that may be utilized include the multiple-period excess earnings method, the relief-from-royalty method and the cost-to-recreate method. Determining the fair value of the customer relationships intangible assets requires management to use significant judgment and estimates, including estimates of future revenue growth rates for existing customers, the discount rate, earnings before interest, taxes and amortization ("EBITA") margins and the customer attrition rate, among others. Other assets and liabilities acquired in a business combination are recorded based on the fair value of the assets acquired and liabilities assumed at acquisition date. Changes to these factors could affect the measurement and allocation of fair value.

Recent Accounting Pronouncements

See Note 1 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for a full description of recent accounting pronouncements, which is incorporated herein by reference.

Item 7A. 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 32%, 35% and 36% in 2022, 2021 and 2020, respectively. Changes in exchange rates will affect our revenue and certain operating expenses to the extent that our revenue is generated and expenses are incurred in currencies other than the U.S. dollar. Royalties earned by and paid to contributors are denominated in the U.S. dollar and will not be affected by changes in exchange rates. Based on our foreign currency denominated revenue for 2022, we estimate that a 10% change in the exchange rate of the U.S. dollar against all foreign currency denominated revenues would impact our revenue by approximately 3%.

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. The net impacts of foreign currency transactions on our financial statements were losses of $3.1 million and $3.2 million in 2022 and 2021, respectively, and a gain of $2.4 million in 2020. Translation adjustments resulting from converting the foreign subsidiaries' financial statements into U.S. dollars are recorded as a component of accumulated other comprehensive income (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):

	Year Ended December 31,					
	2022		2021		2020	
	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency
Euro	$ 148,643	€ 138,531	$ 152,290	€ 129,140	$ 138,128	€ 122,287
British pounds	57,144	£ 45,711	57,851	£ 42,340	49,402	£ 38,570
All other non-U.S. currencies[1]	59,204		57,342		49,630	
Total foreign currency	264,991		267,483		237,160	
U.S. dollar	562,835		505,932		429,526	
Total revenue	$ 827,826		$ 773,415		$ 666,686	

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

Interest Rate Fluctuation Risk

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

Amounts borrowed under our Credit Facility accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.125% to 0.500%, determined based on our consolidated leverage ratio or (ii) the Term Secured Overnight Financing Rate (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.125% to 1.5%, determined based on our consolidated leverage ratio. A hypothetical 10% change in interest rates would not have a material impact on our interest expense as of December 31, 2022.

Inflation Risk

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

Item 8. Financial Statements and Supplementary Data.

The information required by this item is incorporated by reference to the consolidated financial statements and accompanying notes which begins on page F-2 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 December 31, 2022. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under 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, without limitation, 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 December 31, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed our internal control over financial reporting as of December 31, 2022. Management based its assessment on criteria established in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In accordance with guidance issued by the SEC, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. Our management's evaluation of internal control over financial reporting excluded the internal control activities of Pond5, Inc., acquired in May 2022, as discussed in Note 3 to the Consolidated Financial Statements. The financial results of this acquisition are included in the consolidated financial statements as of and for the year ended December 31, 2022 and represent approximately 4% and 1% of total revenues and total assets, respectively.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2022.

PricewaterhouseCoopers LLP, an independent registered public accounting firm (PCAOB ID 238), has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of the audit, has issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2022, which begins on page F-2 of this Annual Report on Form 10-K.

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 three months ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. The design of a control system must reflect that there are resource constraints, and the benefits of controls must be considered relative to their costs. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC, within 120 days after the end of the fiscal year ended December 31, 2022.

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including our principal executive officer and our principal financial and accounting officer. The Code of Business Conduct and Ethics is available on our investor relations website (investor.shutterstock.com) in the “Corporate Governance” section. We will post any amendments to, or waivers from, a provision of this Code of Business Conduct and Ethics by posting such information on our website, at the address and location specified above.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC, within 120 days after the end of the fiscal year ended December 31, 2022.

Item 12. Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC, within 120 days after the end of the fiscal year ended December 31, 2022.

Item 13. Certain Relationships And Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC, within 120 days after the end of the fiscal year ended December 31, 2022.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC, within 120 days after the end of the fiscal year ended December 31, 2022.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) **The following documents are included as part of this Annual Report on Form 10-K:**

(1) Financial Statements

(2) Financial Statement Schedules

Financial statement schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits

See the Exhibit Index, which immediately precedes the signature page of this Annual Report on Form 10-K.

Item 16. Form 10-K Summary.

None.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Shutterstock, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Shutterstock, Inc. and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Pond5, Inc. ("Pond5") from its assessment of internal control over financial reporting as of December 31, 2022 because it was acquired by the Company in a purchase business combination during 2022. We have also excluded Pond5 from our audit of internal control over financial reporting. Pond5 is a wholly-owned subsidiary whose total revenues and total assets excluded from management's assessment and our audit of internal control over financial reporting represent 4% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2022.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition

As described in Notes 1 and 9 to the consolidated financial statements, 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. The Company recognizes revenue on both its subscription-based and transaction-based products when content is downloaded by a customer, at which time the license is provided. For the year ended December 31, 2022, the Company's total revenue was $827.8 million.

The principal considerations for our determination that performing procedures relating to revenue recognition is a critical audit matter are the significant audit effort in performing procedures and evaluating audit evidence related to content license arrangements and customer download activity.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the completeness, accuracy and existence of revenue recognized. These procedures also included, among others, evaluating the completeness, accuracy and existence of revenue recognized on a sample basis by inspecting content license arrangements and evaluating the appropriateness of the revenue recognized based on the terms of each arrangement and customer download activity.

Pond5 Acquisition - Valuation of Certain Customer Relationships Intangible Assets

As described in Note 3 to the consolidated financial statements, on May 11, 2022, the Company completed its acquisition of Pond5 for approximately $218.0 million. The acquisition resulted in $34.9 million of customer relationships being recorded, of which a significant portion relates to certain customer relationships intangible assets. The fair value of the customer relationships intangible assets was determined using a multiple-period excess earnings method. Determining the fair value of the customer relationships intangible assets requires management to use significant judgment and estimates, including estimates of future revenue growth rates for existing customers, the discount rate, earnings before interest, taxes, and amortization (EBITA) margins and the customer attrition rate, among others.

The principal considerations for our determination that performing procedures relating to the valuation of certain customer relationships intangible assets acquired in the acquisition of Pond5 is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of certain customer relationships intangible assets acquired; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to estimates of future revenue growth rates for existing customers, the discount rate, EBITA margins, and the customer attrition rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the customer relationships intangible assets and controls over the development of significant assumptions related to estimates of future revenue growth rates for existing customers, the discount rate, EBITA margins, and the customer attrition rate. These procedures also included, among others (i) reading the purchase agreement and (ii) testing management's process for developing the fair value estimate of certain customer relationships intangible assets acquired. Testing management's process included (i) evaluating the appropriateness of the multiple-period excess earnings method; (ii) testing the completeness and accuracy of underlying data used in the multiple-period excess earnings method; and (iii) evaluating the reasonableness of the significant assumptions used by management related to estimates of future revenue growth rates for existing customers, the discount rate, EBITA margins, and the customer attrition rate. Evaluating the reasonableness of estimates of future revenue growth rates for existing customers, EBITA margins, and the customer attrition rate involved considering (i) the past performance of the acquired business and (ii) the consistency with external market and industry data. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the multiple-period excess earnings method and the reasonableness of the discount rate assumption.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 14, 2023

We have served as the Company's auditor since 2011.

SHUTTERSTOCK, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amount)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 115,154	$ 314,017
Accounts receivable, net of allowance of $5,830 and $1,910	67,249	47,707
Prepaid expenses and other current assets	33,268	26,491
Total current assets	215,671	388,215
Property and equipment, net	54,548	48,074
Right-of-use assets	17,593	34,570
Intangible assets, net	173,087	123,822
Goodwill	381,920	219,816
Deferred tax assets, net	16,533	10,512
Other assets	21,832	26,701
Total assets	$ 881,184	$ 851,710
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,183	$ 10,092
Accrued expenses	89,387	99,529
Contributor royalties payable	38,649	29,004
Deferred revenue	187,070	180,979
Debt	50,000	—
Other current liabilities	11,445	14,180
Total current liabilities	383,734	333,784
Deferred tax liability, net	4,465	2,781
Lease liabilities	35,611	36,966
Other non-current liabilities	9,892	9,697
Total liabilities	433,702	383,228
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 39,605 and 39,209 shares issued and 35,829 and 36,417 shares outstanding as of December 31, 2022 and December 31, 2021, respectively	396	392
Additional paid-in capital	391,482	376,537
Treasury stock, at cost; 3,776 and 2,792 shares as of December 31, 2022 and December 31, 2021, respectively	(200,008)	(127,196)
Accumulated other comprehensive loss	(15,439)	(10,788)
Retained earnings	271,051	229,537
Total stockholders' equity	447,482	468,482
Total liabilities and stockholders' equity	$ 881,184	$ 851,710

See accompanying notes to consolidated financial statements

SHUTTERSTOCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,		
	2022	2021	2020
Revenue	$ 827,826	$ 773,415	$ 666,686
Operating expenses:			
Cost of revenue	314,306	277,659	259,573
Sales and marketing	203,154	204,878	159,241
Product development	65,434	52,014	46,038
General and administrative	132,644	130,758	116,568
Impairment of lease and related assets	18,664	—	—
Total operating expenses	734,202	665,309	581,420
Income from operations	93,624	108,106	85,266
Other (expense) / income, net	(2,587)	(3,370)	4,257
Income before income taxes	91,037	104,736	89,523
Provision for income taxes	14,934	12,853	17,757
Net income	$ 76,103	$ 91,883	$ 71,766
Earnings per share:			
Basic	$ 2.11	$ 2.52	$ 2.00
Diluted	$ 2.08	$ 2.46	$ 1.97
Weighted average shares outstanding:			
Basic	36,042	36,509	35,844
Diluted	36,546	37,324	36,369

See accompanying notes to consolidated financial statements

SHUTTERSTOCK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2022	**2021**	**2020**
Net income	$ 76,103	$ 91,883	$ 71,766
Foreign currency translation loss	(4,651)	(3,107)	(1,461)
Other comprehensive loss	(4,651)	(3,107)	(1,461)
Comprehensive income	$ 71,452	$ 88,776	$ 70,305

See accompanying notes to consolidated financial statements

SHUTTERSTOCK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
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 (See 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	—	—	—	—	28,309	—	—	28,309
Issuance of common stock, net of issuance costs	516	5	—	—	23,148	—	—	23,153
Issuance of common stock in connection with employee stock option exercises and RSU vesting	351	4	—	—	1,167	—	—	1,171
Common shares withheld for settlement of taxes in connection with equity-based compensation	(119)	(1)	—	—	(4,509)	—	—	(4,510)
Cash dividends paid	—	—	—	—	—	—	(24,401)	(24,401)
Other comprehensive loss	—	—	—	—	—	(1,461)	—	(1,461)
Net income	—	—	—	—	—	—	71,766	71,766
Balance at December 31, 2020	38,803	389	2,558	(100,027)	360,939	(7,681)	168,305	421,925
Equity-based compensation	—	—	—	—	36,179	—	—	36,179
Issuance of common stock in connection with employee stock option exercises and RSU vesting	660	7	—	—	2,141	—	—	2,148
Common shares withheld for settlement of taxes in connection with equity-based compensation	(254)	(4)	—	—	(22,722)	—	—	(22,726)
Repurchase of treasury shares	—	—	234	(27,169)	—	—	—	(27,169)
Cash dividends paid	—	—	—	—	—	—	(30,651)	(30,651)
Other comprehensive loss	—	—	—	—	—	(3,107)	—	(3,107)
Net income	—	—	—	—	—	—	91,883	91,883
Balance at December 31, 2021	39,209	392	2,792	(127,196)	376,537	(10,788)	229,537	468,482
Equity-based compensation	—	—	—	—	35,740	—	—	35,740
Issuance of common stock in connection with employee stock option exercises and RSU vesting	654	7	—	—	1,803	—	—	1,810
Common shares withheld for settlement of taxes in connection with equity-based compensation	(258)	(3)	—	—	(22,598)	—	—	(22,601)
Repurchase of treasury shares	—	—	984	(72,812)	—	—	—	(72,812)
Cash dividends paid	—	—	—	—	—	—	(34,589)	(34,589)
Other comprehensive loss	—	—	—	—	—	(4,651)	—	(4,651)
Net income	—	—	—	—	—	—	76,103	76,103
Balance at December 31, 2022	39,605	$ 396	3,776	$ (200,008)	$ 391,482	$ (15,439)	$ 271,051	$ 447,482

See accompanying notes to consolidated financial statements

SHUTTERSTOCK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 76,103	$ 91,883	$ 71,766
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	68,470	48,771	41,359
Deferred taxes	(10,587)	(1,771)	1,019
Non-cash equity-based compensation	35,740	36,179	28,309
Impairment of lease and related assets	18,664	—	—
Bad debt expense	3,697	137	2,580
Changes in operating assets and liabilities:			
Accounts receivable	(22,105)	(4,093)	513
Prepaid expenses and other current and non-current assets	532	(13,184)	9,775
Accounts payable and other current and non-current liabilities	(24,328)	34,444	8,587
Long-term incentives related to acquisitions	—	—	(7,759)
Contributor royalties payable	7,772	898	1,075
Deferred revenue	4,493	23,108	7,848
Net cash provided by operating activities	$ 158,451	$ 216,372	$ 165,072
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(43,296)	(28,125)	(25,630)
Business combination, net of cash acquired	(211,843)	(181,609)	—
Asset acquisitions	(3,417)	(31,639)	(1,850)
Long term investments	—	—	(5,000)
Acquisition of content	(16,821)	(8,874)	(2,970)
Security deposit (payment) / release	(173)	(191)	140
Net cash used in investing activities	$ (275,550)	$ (250,438)	$ (35,310)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of common stock	—	—	23,153
Proceeds from exercise of stock options	1,810	2,148	1,171
Cash paid related to settlement of employee taxes related to RSU vesting	(22,601)	(22,726)	(4,510)
Payment of cash dividends	(34,589)	(30,651)	(24,401)
Proceeds from credit facility	50,000	—	—
Repurchase of treasury shares	(73,488)	(26,493)	—
Payment of debt issuance costs	(619)	—	—
Net cash used in financing activities	$ (79,487)	$ (77,722)	$ (4,587)
Effect of foreign exchange rate changes on cash	(2,277)	(2,769)	(2,475)
Net (decrease) / increase in cash, cash equivalents and restricted cash	(198,863)	(114,557)	122,700
Cash, cash equivalents and restricted cash, beginning of period	314,017	428,574	305,874
Cash, cash equivalents and restricted cash, end of period	$ 115,154	$ 314,017	$ 428,574
Supplemental Disclosure of Cash Information:			
Cash paid for:			
Cash paid for income taxes	$ 23,444	$ 19,092	$ 8,751
Cash paid for interest	$ 1,045	$ —	—

See accompanying notes to consolidated financial statements

SHUTTERSTOCK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Operations and Significant Accounting Policies

Description of Business

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

The Company’s key content offerings include:

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

On May 11, 2022, the Company completed its acquisition of Pond5, Inc. (“Pond5”), a video-first content marketplace which expands Shutterstock’s content offerings across footage, image and music. On May 28, 2022, Shutterstock acquired SCP 2020 Limited (“Splash News”), an entertainment news network for newsrooms and media companies, which offers image and video content across celebrity, red carpet and live events. See Note 3 Acquisitions.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Certain immaterial changes in presentation have been made to conform the prior period presentation to current period reporting.

Use of Estimates

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

Concentration of Risk

Financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable balances. Cash and cash equivalents are held with financial institutions of high quality. Balances may exceed the amount of insurance provided on such deposits.

The majority of the Company's revenues are derived from customers who license content using electronic payments at the time of a transaction. The Company's accounts receivable are primarily from enterprise customers who require invoicing. The Company performs initial and ongoing credit reviews on these customers, which involve consideration of the customers' financial information, their location, and other factors to assess the customers' ability to pay. The Company also performs ongoing financial condition evaluations for its existing customers. As of December 31, 2022, one customer accounted for approximately 22% of the accounts receivable balance. No other customer accounted for or exceeded 10% of the accounts receivable balance. As of December 31, 2021, no single customer accounted for or exceeded 10% of accounts receivable.

Additionally, no single customer accounted for or exceeded 10% of revenue for the years ended December 31, 2022, 2021 or 2020.

Cash, Cash Equivalents and Restricted Cash

As of December 31, 2022 and 2021, the Company's cash and cash equivalents were $115.2 million and $314.0 million, respectively. The Company's cash balance consist primarily of bank deposits. Cash equivalents consists primarily of money market accounts and are stated at cost, which approximates fair value.

Fair Value Measurements

The Company records its financial assets and liabilities at fair value. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. Fair value is estimated by applying inputs which are classified into the following levels of a three-tier hierarchy as follows: Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2- inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and Level 3 - unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions regarding what market participants would use in pricing.

Accounts Receivable and Allowance for Doubtful Accounts

The Company's accounts receivable consists of customer obligations due under normal trade terms, carried at their face value less an allowance for doubtful accounts, if required. The Company determines its allowance for doubtful accounts 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.

Historically, the Company used an incurred loss model to calculate its allowance for doubtful accounts. Upon the adoption of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments* ("ASU 2016-13") on January 1, 2020, the Company shifted to a current expected credit loss model.

The following table presents the changes in the Company's allowance for doubtful accounts (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Balance, beginning of period	$ 1,910	$ 4,942	$ 3,579
Add: bad debt expense	3,697	137	2,580
Less: write-offs, net of recoveries and other adjustments[1]	223	(3,169)	(1,217)
Balance, end of period	$ 5,830	$ 1,910	$ 4,942

1 - Other adjustments includes the adoption of ASU 2016-13 on January 1, 2020, which increased the allowance for doubtful accounts by $0.3M.

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 December 31, 2022 and December 31, 2021, the Company's combined allowance for chargebacks and sales refunds was $0.4 million, which is included as a component of other current liabilities on the Consolidated Balance Sheets.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Generally, the useful lives are as follows:

Equipment	3 years
Furniture and fixtures	7 years
Software	3 years
Leasehold improvements	Shorter of expected useful life or lease term

Capitalized Internal Use Software

The Company capitalizes the qualifying costs of computer software developed for internal use, which are incurred during the application development stage, and amortizes them over the software's estimated useful life. Costs incurred in the preliminary and post-implementation stages of the Company's products are expensed as incurred. The amounts capitalized include employee's payroll and payroll-related costs directly associated with the development activities as well as external direct costs of services used in developing internal-use software. The Company's policy is to amortize capitalized costs using the straight-line method over the estimated useful life, which is currently three years, beginning when the software is substantially complete and ready for its intended use.

Impairment of Long-Lived Assets

Long-lived assets, inclusive of definite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying value of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying value of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying value or the fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. In 2022, the Company recorded an impairment charge related to a portion of its right-of-use assets and property and equipment triggered by the Company's decision to cease using certain office spaces. See Note 4, Property and Equipment and Note 15, Leasing for further discussion. There were no long-lived asset impairment charges in 2021 or 2020.

Goodwill and Intangible Assets

Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually on October 1 of each fiscal year or more frequently if events occur or circumstances exist that indicate that the fair value of a reporting unit may be below its carrying value.

In 2022, the Company's goodwill balance was allocated to a single reporting unit. Since inception through December 31, 2022, the Company has not had any impairment of goodwill.

Revenue Recognition

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

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

The Company recognizes revenue upon the satisfaction of performance obligations. The Company recognizes revenue on both its subscription-based and transaction-based products when content is downloaded by a customer, at which time the license is provided. In addition, the Company estimates expected unused licenses for subscription-based products and recognizes the revenue associated with the unused licenses as digital content is downloaded and licenses are obtained for such content by the customer during the subscription period. The estimate of unused licenses is based on historical download activity and future changes in the estimate could impact the timing of revenue recognition of the Company’s subscription products. For revenue associated with tools available through the Company’s platform, revenue is recognized on a straight-line basis over the subscription period. The Company expenses contract acquisition costs as incurred, to the extent that the amortization period would otherwise be one year or less.

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

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

Cost of Revenue

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

Contributor Royalties and Internal Sales Commissions

The Company expenses contributor royalties in the period a customer download occurs and includes the corresponding contributor royalties in cost of revenue. Contributor royalties are generally paid monthly. The Company advances certain contributor royalties which are initially deferred and expensed based on the contractual royalty rate at the time of customer download or when the Company determines future recovery is not probable. For the years ended December 31, 2022, 2021 and 2020, the Company deferred $6.3 million, $7.2 million and $3.6 million, respectively, in royalty advances and amortized $7.1 million, $5.8 million and $5.5 million, respectively, in royalty advance expense which is included in cost of revenue. As of December 31, 2022 and 2021, the Company has deferred contributor royalties of $0.6 million and $1.4 million, respectively, which is included in prepaid expenses and other current assets in the Consolidated Balance Sheets.

Internal sales commissions are generally paid in the month following collection or invoicing of the commissioned receivable and is reported in sales and marketing expense on the Consolidated Statements of Operations. The Company expenses contract acquisition costs, including internal sales commissions, as incurred, to the extent that the amortization period would otherwise be one year or less.

Product Development

The Company expenses product development costs as incurred, except for costs that are capitalized for certain internal software development projects. Product development costs are primarily comprised of development personnel salaries, non-cash equity-based compensation, software and other IT equipment costs as well as allocated facility costs and related overhead.

Advertising Costs

The Company expenses the cost of advertising and promoting its products as incurred. Such costs totaled $97.2 million, $112.9 million and $81.2 million for the years ended December 31, 2022, 2021 and 2020, respectively, which are included in sales and marketing expense in the Consolidated Statements of Operations.

Leasing

The Company records rent expense on a straight-line basis over the term of the related lease. At inception, the Company first determines if an arrangement contains a lease and the classification of that lease, if applicable. The Company recognizes right-of-use ("ROU") assets and lease liabilities for its operating leases. For contracts with lease and non-lease components, the Company has elected not to allocate the contract consideration, and to account for the lease and non-lease components as a single lease component. The Company has also elected not to recognize a lease liability or ROU asset for leases with a term of 12 months or less, and recognize lease payments for those short-term leases on a straight-line basis over the lease term in the Consolidated Statements of Operations. Operating leases are included in ROU assets, other current liabilities and lease liabilities (net of current portion) on the Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments under the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The implicit rate within the Company's leases is generally not determinable and therefore the incremental borrowing rate at the lease commencement date is utilized to determine the present value of lease payments. The determination of the incremental borrowing rate requires judgment. Management determines the incremental borrowing rate for each lease using the Company's estimated borrowing rate, adjusted for various factors including level of collateralization, term and currency to align with the terms of the lease. The ROU asset also includes any lease prepayments, offset by lease incentives. Certain of the Company's leases include options to extend or terminate the lease. An option to extend the lease is considered in connection with determining the ROU asset and lease liability when the Company is reasonably certain that the option will be exercised. An option to terminate is considered unless the Company is reasonably certain the option will not be exercised.

Equity-Based Compensation

The Company grants Restricted Stock Units, Performance-based Restricted Stock Units ("PRSUs" and, collectively with Restricted Stock Units, "RSUs") and Stock Options to directors and officers and certain other employees of the Company. Awards granted prior to June 1, 2022 were granted under the Company's Amended and Restated 2012 Omnibus Equity Incentive Plan (the "2012 Plan"). At the Annual Meeting held on June 2, 2022, the Company's stockholders approved the 2022 Omnibus Equity Incentive Plan (the "2022 Plan"). Awards granted subsequent to June 2, 2022 were granted under the 2022 Plan.

The Company measures and recognizes non-cash equity-based compensation expense for all stock-based awards granted to employees based on estimated fair values. The portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period. Forfeitures are accounted for as they occur. For awards with a change of control condition, an evaluation is made at the grant date and future periods as to the likelihood of the condition being met. Compensation expense is adjusted in future periods for subsequent changes in the expected outcome of the change of control conditions until the vesting date. Compensation expense related to awards with a market condition is recognized over the requisite service period regardless of the achievement of the market condition. Compensation expense related to awards with a performance condition is recognized over the requisite service period based on the expected levels of achievement. To the extent that the expected levels of achievement change, stock-based compensation expense is adjusted and recorded in the Consolidated Statements of Operations and the remaining unrecognized stock-based compensation is recognized over the remaining requisite service period.

The Company uses the closing price of the Company's common stock on the date of grant to determine the fair value of RSUs. The Company uses the Black Scholes option pricing model, to determine the fair value of stock options on the date of grant. The Monte Carlo simulation model is used if the award has a market condition.

The determination of the grant date fair value using an option-pricing model and simulation model requires judgment as well as assumptions regarding a number of other complex and subjective variables. These variables include the Company's closing market price at the grant date, the expected stock price volatility over the expected term of the awards, awards' exercise and cancellation behaviors, risk-free interest rates and expected dividends.

The awards granted pursuant to the 2012 Plan and the 2022 Plan are subject to a time-based vesting requirement and certain award grants may also include market based or performance based vesting conditions. While each PRSU corresponds to one target share of the Company's stock, the number of shares that may eventually vest will be between 0% and 150% of a recipient's target shares, depending on both the recipient's continued service with the Company and the extent to which performance goals will have been achieved. Awards generally vest over three or four years.

Upon the vesting of 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.

Employee Benefit Plans

The Company offers a 401(k) defined contribution plan and provides for discretionary employer matching contributions. All matching contributions are recognized as an expense in the Statement of Operations, as incurred. The Company recorded employer matching contributions of $5.1 million, $4.4 million and $3.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Income Taxes

The Company's income tax expense includes U.S. (federal and state) and foreign income taxes. Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered.

The Company accounts for unrecognized tax benefits using a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes may be due. The Company records an income tax liability for the difference, if any, between the benefit recognized and measured and the tax position taken or expected to be taken on the Company's tax returns. To the extent that the assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The reserves are adjusted in light of changing facts and circumstances, such as the outcomes of tax audits or lapses in statutes of limitations. Any reserve for uncertain tax provisions and related penalties and interest is included in the income tax provision.

On a quarterly basis, the Company assesses the realizability of deferred tax assets, based on the available evidence including a history of taxable income, estimates of future taxable income and planning strategies and a valuation allowance is recorded to the extent that it is not more likely than not that the deferred tax assets will be realized. Significant management judgment is required in determining the provision for income taxes and deferred tax assets and liabilities. In the event that actual results differ from these estimates, the Company will adjust these estimates in future periods which may result in a change in the effective tax rate in a future period.

The global intangible low-taxed income ("GILTI") provisions of the TCJA impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The Company has elected to treat any potential GILTI inclusions as a period cost.

Other Non-income Taxes

The Company is subject to certain non-income taxes, including value added taxes, sales taxes and royalty withholding taxes. Where appropriate, the Company has made accruals for these taxes, which are reflected in the Company's consolidated financial statements. These accruals are subject to statute of limitations requirements and review by governmental authorities.

Treasury Stock

The Company accounts for treasury stock under the cost method and is included as a component of stockholders’ equity. Treasury stock held by the Company may be reissued in the future. The Company’s policy is to account for reissued shares as a reduction of Treasury stock on a first-in, first-out basis.

Net Income Per Share

Basic net income per share is computed by dividing the net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Any potential issuance of common shares, including those that are contingent and do not participate in dividends, is excluded from basic weighted average number of common shares outstanding.

Diluted net income per share is computed by dividing the net income attributable to common stockholders by the weighted average common shares outstanding and all potential common shares, if they are dilutive.

Reportable Segments

For the year ended December 31, 2022, the Company has identified one operating segment, which has also been determined to be the Company’s primary reportable business segment. Operating segments are defined as components of an enterprise for which separate financial information is available and is evaluated regularly by the Company’s chief operating decision maker (“CODM”), or decision-making group, in deciding how to allocate resources and in assessing financial performance.

Contingent Consideration

The Company records a liability for contingent consideration at the date of a business combination and reassesses the fair value of the liability each period until it is settled. Upon settlement of these liabilities, the portion of the contingent consideration payment that is attributable to the initial amount recorded as part of the business combination is classified as a cash flow from financing activities and the portion of the settlement that is attributable to subsequent changes in the fair value of the contingent consideration is classified as a cash flow from operating activities in the Consolidated Statement of Cash Flows.

Foreign Currency

The functional currency of the Company’s foreign subsidiaries is generally the respective local currency. Monetary assets and liabilities that are denominated in currencies other than each entity’s functional currency are remeasured into the functional currency at the period-end exchange rates and result in transactional gains and losses. The net impact of foreign currency transactional gains and losses on the Company’s results of operations were losses of $3.1 million and $3.2 million in 2022 and 2021, respectively, and a gain of $2.4 million in 2020. Translation adjustments resulting from converting the foreign subsidiaries financial statements into U.S. dollars using the period-end exchange rates for balance sheet accounts and the period average exchange rate for the Statements of Operations are recorded as a component of accumulated other comprehensive income / (loss) within stockholders’ equity.

Recently Adopted Accounting Standard Updates

In June 2016, the FASB issued ASU 2016-13, which as amended, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses. The ASU is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. Adoption of this guidance was required, prospectively, for annual periods beginning after December 15, 2019, with early adoption permitted for annual periods beginning after December 15, 2018. The Company adopted ASU 2016-13, as amended, effective 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.

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.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations* (Topic 805), *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). ASU 2021-08 addresses inconsistency related to the recognition and measurement of contract assets and contract liabilities acquired in a business combination. ASU 2021-08 requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination as if it had originated the contracts, in accordance with Topic 606, *Revenue from Contracts with Customers*. The guidance is effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption of the amendments is permitted and an entity that early adopts should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. The Company has early adopted ASU 2021-08 effective January 1, 2021, and the impact of adoption of this standard on the consolidated financial statements was not material.

(2) Fair Value Measurements and Other Long-term Investments

Fair Value Measurements

The Company had no assets or liabilities requiring fair value hierarchy disclosures as of December 31, 2022 and 2021, except as noted below.

Money Market Accounts

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

Other Fair Value Measurements

The carrying amounts of cash, accounts receivable, restricted cash, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. Debt consists of principal amounts outstanding under our credit facility, which approximates fair value as underlying interest rates are reset regularly based on current market rates and is classified as Level 2. The Company's non-financial assets, which include long-lived assets, intangible assets and goodwill, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Company is required to evaluate the non-financial asset for impairment, a resulting asset impairment would require that the non-financial asset be recorded at its fair value. In 2022, the Company recorded an impairment charge related to a portion of its right-of-use assets and property and equipment triggered by the Company's decision to cease using certain office spaces. See Note 15, Leasing for further discussion.

Long-Term Investments

As of December 31, 2022 and 2021, the Company’s Long-Term Investments totaled $20.0 million, which is reported within other assets on the Consolidated Balance Sheets. The Company uses the measurement alternative for equity investments with no readily determinable fair value and are 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 the general market conditions. For the years ended December 31, 2022 and 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.

Investment in ZCool Technologies Limited (“ZCool”)

In 2018, the Company invested $15.0 million in convertible preferred shares issued by ZCool (the “Preferred Shares”). ZCool’s primary business is the operation of an e-commerce platform in China whereby customers can pay to license content contributed by creative professionals. ZCool and its affiliates have been the exclusive distributor of Shutterstock content in China since 2014.

ZCool is a variable interest entity that is not consolidated because the Company is not the primary beneficiary. The Preferred Shares are not deemed to be in-substance common stock and are accounted for using the measurement alternative for equity investments with no readily determinable fair value.

Other Equity Investments

In 2020, the Company invested $5.0 million in preferred shares of an entity with a creative production and analytics platform. These preferred shares do not have a readily determinable fair value, and give the Company less than a 2% fully diluted ownership interest.

(3) Acquisitions

Pond5, Inc.

On May 11, 2022, the Company completed its acquisition of all of the outstanding shares of Pond5, for approximately $218.0 million. The total purchase price was paid with existing cash on hand as well as a $50 million drawdown on a newly established revolving credit facility (See Note 7). In connection with the acquisition, the Company incurred approximately $4.0 million of transaction costs, which is included in general and administrative expenses on the Consolidated Statements of Operations.

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

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

Splash News

On May 28, 2022, the Company completed its acquisition of all of the outstanding shares of Splash News, for approximately $6.3 million. The total purchase price was paid with existing cash on hand in the three months ended June 30, 2022. In connection with the acquisition, the Company incurred approximately $0.3 million of transaction costs, which is included in general and administrative expenses on the Consolidated Statements of Operations.

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

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

The Pond5 and Splash News transactions were accounted for using the acquisition method and, accordingly, the results of the acquired businesses have been included in the Company's results of operations from the respective acquisition dates. For the twelve months ended December 31, 2022, revenue of $36.7 million, was included in the Consolidated Statements of Operations related to these acquired companies. The fair value of consideration transferred in these business combinations has been allocated to the intangible and tangible assets acquired and liabilities assumed at the acquisition date, with the remaining unallocated amount recorded as goodwill. The identifiable intangible assets of these acquisitions are being amortized on a straight-line basis. The fair value of the customer relationships was determined using a variation of the income approach known as the multiple-period excess earnings method. The fair value of the trade name was determined using the relief-from-royalty method, and the fair value of the developed technology was determined using the relief-from-royalty and the cost to recreate methods. Determining the fair value of the customer relationships intangible assets requires management to use significant judgment and estimates, including estimates of future revenue growth rates for existing customers, the discount rate, earnings before interest, taxes and amortization ("EBITA") margins and the customer attrition rate, among others.

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

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

[1] The allocation of the purchase price is preliminary and will be finalized within the allowable measurement period once independent valuations of the fair value of the assets acquired and liabilities assumed are completed. During the three months ended September 30, 2022, the Company updated its preliminary allocation of the Pond5 purchase price to the assets acquired and liabilities assumed. This resulted in a (i) $4.0 million increase to goodwill, (ii) a $4.1 million decrease to intangible assets, including a $7.0 million decrease to the value of customer relationships, partially offset by a $2.3 million increase to the value of the developed technology, and (iii) other immaterial adjustments.

2021 Acquisitions

PicMonkey, LLC

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

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

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

TurboSquid, Inc.

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

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

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

The PicMonkey and TurboSquid transactions were accounted for using the acquisition method and, accordingly, the results of the acquired businesses have been included in the Company's results of operations from the respective acquisition dates. For the year ended December 31, 2022, PicMonkey and TurboSquid revenues of $26.0 million and $28.3 million, respectively, are included in the Consolidated Statements of Operations. The fair value of consideration transferred in these business combinations have been allocated to the intangible and tangible assets acquired and liabilities assumed at the acquisition date, with the remaining unallocated amount recorded as goodwill. The identifiable intangible assets of these acquisitions are being amortized on a straight-line basis. The fair value of the customer relationships was determined using a variation of the income approach known as the multiple-period excess earnings method. The fair value of the trade names and developed technology were determined using the relief-from-royalty method, and the fair value of the contributor content was determined using the cost-to-recreate method. Determining the fair value requires management to use significant judgment and estimates, including estimates of future revenue growth rates, research and development expense adjustments, sales and marketing expense adjustments, the discount rate, earnings before interest, taxes, and amortization ("EBITA") margins and the customer attrition rate, among others.

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

SHUTTERSTOCK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Pro-Forma Financial Information (unaudited)

The following unaudited pro forma consolidated financial information (in thousands) reflects the results of operations of the Company for the twelve months ended December 31, 2022 and 2021, as if the Pond5 and Splash News acquisitions had been completed on January 1, 2021 and as if the TurboSquid and PicMonkey acquisitions had been completed on January 1, 2020, after giving effect to certain purchase accounting adjustments, primarily related to intangible assets and transaction costs. These pro forma results have been prepared for comparative purposes only and are not necessarily indicative of what the Company's operating results would have been, had the acquisitions actually taken place at the beginning of the previous annual period.

	Year Ended December 31,	
	2022	2021
Revenue		
As Reported	$ 827,826	$ 773,415
Pro Forma	848,109	851,585
Income before income taxes		
As Reported	$ 91,037	$ 104,736
Pro Forma	94,465	106,522

Asset Acquisitions

In July 2021, the Company completed the acquisitions of Pattern89, Inc., Datasine Limited and assets from Shotzr, Inc. These three entities provide data driven insights through their artificial intelligence platforms. The aggregate purchase price for these transactions was approximately $35 million and is subject to customary working capital and other adjustments and was paid from existing cash on hand. Approximately $3.4 million of the total purchase consideration was subject to contractual holdback provisions and was paid during 2022. The Company has accounted for these transactions as asset acquisitions and has recorded a total of $41 million of developed technology intangible assets, which are being amortized on a straight-line basis over a useful life of 3 years.

(4) Property and Equipment

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

	December 31, 2022	December 31, 2021
Computer equipment and software	$ 261,067	$ 221,429
Furniture and fixtures	10,328	10,238
Leasehold improvements	18,635	19,453
Property and equipment	290,030	251,120
Less: accumulated depreciation	(235,482)	(203,046)
Property and equipment, net	$ 54,548	$ 48,074

Depreciation and amortization expense related to property and equipment amounted to $34.0 million, $31.7 million and $35.6 million, for the years ended December 31, 2022, 2021 and 2020, respectively. Of these amounts, $31.0 million, $28.4 million and $31.6 million are included in cost of revenue for the years ended December 31, 2022, 2021 and 2020, respectively, and $3.0 million, $3.3 million and $4.0 million are included in general and administrative expense for the years ended December 31, 2022, 2021 and 2020, respectively.

Depreciation and amortization expense is included in cost of revenue and general and administrative expense based on the nature of the asset. There was no loss on disposal for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2022, the Company recorded an impairment charge of $2.8 million primarily related to certain of its leasehold improvements triggered by the Company’s decision to cease using certain office spaces. See Note 15, Leasing for further discussion.

Capitalized Internal-Use Software

The Company capitalized costs related to the development of internal-use software of $40.7 million, $27.8 million and $25.1 million for the years ended December 31, 2022, 2021 and 2020, respectively. Capitalized amounts are included as a component of property and equipment under computer equipment and software. During 2022, 2021 and 2020, the Company invested significantly in its product development and hosting infrastructure to enhance its customer experience and increase the efficiency with which management deploys new products and features.

The portion of total depreciation expense related to capitalized internal-use software was $29.6 million, $26.9 million and $28.9 million for the years ended December 31, 2022, 2021 and 2020, respectively. Depreciation expense related to capitalized internal-use software is included in cost of revenue in the Consolidated Statement of Operations.

As of December 31, 2022 and 2021, the Company had capitalized internal-use software of $50.1 million and $39.0 million, respectively, net of accumulated depreciation, which was included in property and equipment, net.

(5) Goodwill and Intangible Assets

Goodwill

The following table summarizes the changes in the Company's goodwill balance for the year ended December 31, 2022 (in thousands):

	Goodwill
Balance as of December 31, 2021	$ 219,816
Goodwill related to acquisitions	164,522
Foreign currency translation adjustment	(2,418)
Balance as of December 31, 2022	$ 381,920

In 2022, the Company's goodwill balance was allocated to a single reporting unit. The Company performed its annual goodwill assessment as of October 1, 2022 and concluded that the fair value of its reporting unit was greater than its carrying amount, and therefore, no adjustment to the carrying value of goodwill was necessary. The Company utilized a qualitative assessment of its content business reporting unit to determine whether a quantitative assessment was necessary and determined there were no indicators of potential impairment.

There were no impairments of goodwill in any of the periods presented in the consolidated financial statements.

Intangible Assets

Intangible assets, all of which are subject to amortization, consist of the following as of December 31, 2022 and 2021 (in thousands):

	As of December 31, 2022				As of December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 88,996	$ (19,168)	$ 69,828	12	$ 55,542	$ (13,906)	$ 41,636
Trade name	16,588	(7,209)	9,379	9	11,787	(6,805)	4,982
Developed technology	94,872	(35,288)	59,584	4	67,940	(14,214)	53,726
Contributor content	54,284	(20,098)	34,186	8	37,984	(14,632)	23,352
Patents	259	(149)	110	18	259	(133)	126
Total	$ 254,999	$ (81,912)	$ 173,087		$ 173,512	$ (49,690)	$ 123,822

Amortization expense related to the intangible assets was $34.5 million, $17.1 million and $5.8 million for the years ended December 31, 2022, 2021 and 2020, respectively. Of these amounts, $32.1 million, $13.1 million and $3.4 million are included in cost of revenue for the years ended December 31, 2022, 2021 and 2020, respectively, and $2.4 million, $4.0 million and $2.4 million are included in general and administrative expense for the years ended December 31, 2022, 2021 and 2020, respectively.

The Company determined that there was no indication of impairment for the intangible assets for all periods presented. Estimated amortization expense for the next five years is: $38.7 million in 2023, $31.9 million in 2024, $21.6 million in 2025, $19.3 million in 2026, $13.1 million in 2027 and $48.5 million thereafter.

(6) Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	December 31,	
	2022	2021
Compensation	$ 40,314	$ 43,529
Non-income taxes	24,390	21,488
Website hosting and marketing fees	6,608	18,314
Other expenses	18,075	16,198
Total accrued expenses	$ 89,387	$ 99,529

(7) Debt

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

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

On May 9, 2022, the Company borrowed $50 million for use in connection with the acquisition of Pond5, described under Note 3 (“Acquisitions”) and for general corporate purposes. As of December 31, 2022, the Company had outstanding borrowings under the Credit Facility of $50 million and had a remaining borrowing capacity of $48 million, net of standby letters of credit. As of December 31, 2021, the Company had no outstanding debt obligations. For the year ended December 31, 2022, the Company recognized interest expense of $1.3 million. For the year ended December 31, 2022, the Company’s annualized interest rate was 3.8%.

On January 27, 2023, the Company fully repaid its borrowings under the Credit Facility and had a remaining borrowing capacity of $98 million, net of standby letters of credit.

The Credit Facility contains financial covenants and requirements restricting certain of the Company’s activities, which are usual and customary for this type of credit facility. The Company is also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio, in each case, determined in accordance with the terms of the Credit Facility. As of December 31, 2022, the Company was in compliance with these covenants.

(8) Stockholders' Equity

Common Stock

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available for that purpose. In the event of liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the prior distribution rights of any outstanding preferred stock. The common stock has no preemptive or conversion rights or other subscription rights. The outstanding shares of common stock are fully paid and non-assessable. Under the amended and restated certificate of incorporation, which became effective upon completion of the IPO, the Company's certificate of incorporation authorized 200,000,000 shares of $0.01 per share par value common stock.

Preferred Stock

Under the amended and restated certificate of incorporation, which became effective upon completion of the IPO, the Company's Board of Directors has the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock, $0.01 par value, in one or more series. The Board of Directors also has the authority to designate the rights, preferences, privileges and restrictions of each such series, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series.

The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of Shutterstock without further action by the stockholders. The issuance of preferred stock with voting and conversion rights may also adversely affect the voting power of the holders of common stock. In certain circumstances, an issuance of preferred stock could have the effect of decreasing the market price of the common stock. As of December 31, 2022, the Company has not issued and has no plans to issue any shares of preferred stock.

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 purchase an additional $100 million of its common stock. As of December 31, 2022, the Company has repurchased approximately 3.8 million shares of its common stock under the share repurchase program at an average per-share cost of approximately $52.97.

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

During 2022 and 2021, the Company repurchased approximately 984,000 and 234,000 shares of its common stock, respectively, at an average per share cost of $74.02 and $116.26, respectively. As of December 31, 2022, the Company has fully utilized its authorization under the share repurchase program.

Stock Offering

On August 14, 2020, the Company completed an offering (the “Stock Offering”), whereby 2,580,000 shares of its common stock were sold to the public at a price to the public of $48.50 per share. The Company sold 516,000 shares of common stock in the Stock Offering and the Company’s Founder and Executive Chairman of the Board sold 2,064,000 shares of common stock in the Stock Offering. The Company received net proceeds from the shares it sold, after deducting underwriting discounts and commissions and offering expenses payable by the Company, of approximately $23.2 million. The Company did not receive any proceeds from the shares sold by the Company’s Founder and Executive Chairman of the Board.

Dividends

On February 11, 2020, the Board of Directors approved the initiation of a quarterly cash dividend. The Company declared and paid cash dividends totaling $0.96 and $0.84 per share of common stock, or $34.6 million and $30.7 million, during the years ended December 31, 2022 and 2021, respectively.

On January 30, 2023, the Company’s Board of Directors declared a quarterly cash dividend of $0.27 per share of outstanding common stock payable on March 16, 2023 to stockholders of record at the close of business on March 2, 2023. Future declaration 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.

(9) Revenue

The Company distributes its products through two primary channels:

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

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

The following table summarizes the Company’s revenue by distribution channel for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	**2021**	**2020**
E-commerce	$ 501,384	$ 490,212	$ 412,521
Enterprise	326,442	283,203	254,165
Total Revenues	$ 827,826	$ 773,415	$ 666,686

The December 31, 2022 deferred revenue balance will be earned as content is downloaded or upon the expiration of subscription-based products, and nearly all is expected to be earned within the next twelve months. $176.2 million of total revenue recognized for the year ended December 31, 2022 was reflected in deferred revenue as of January 1, 2022.

(10) Equity-Based Compensation

The Company recognizes stock-based compensation expense for all share-based payment awards including employee stock options and RSUs granted under either the 2012 Plan or the 2022 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 line item included in the Company's Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Cost of revenue	$ 567	$ 363	$ 430
Sales and marketing	5,486	2,888	1,887
Product development	10,380	6,720	4,494
General and administrative	19,307	26,208	21,498
Total	$ 35,740	$ 36,179	$ 28,309

The following table summarizes non-cash equity-based compensation expense, net of forfeitures, by award type included in the Company's Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Stock options	$ 147	$ 710	$ 2,088
RSUs	35,593	35,469	26,221
Total	$ 35,740	$ 36,179	$ 28,309

2012 Omnibus Equity Incentive Plan

On October 10, 2012, the Company's 2012 Plan became effective. The 2012 Plan provides for the grant of incentive stock options to Company employees, and for the grant of non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units and performance shares to employees, directors and consultants. The maximum aggregate number of shares that may be issued under the 2012 Plan was initially 6,750,000 shares of common stock. The number of shares available for issuance under the 2012 Plan will be increased annually commencing January 1, 2013 by an amount equal to the lesser of 1,500,000 shares of common stock, 3% of the outstanding shares of common stock as of the last day of the immediately preceding fiscal year, or such other amount as determined by the Company's Board of Directors. Any awards issued under the 2012 Plan that are forfeited by the participant will become available for future grant under the 2012 Plan. The number of shares of common stock available under the 2012 Plan was automatically increased by approximately 1,093,000 and 1,087,000 shares on January 1, 2022 and 2021, respectively, pursuant to the automatic increase provisions of the 2012 Plan. This plan expired on June 2, 2022.

2022 Omnibus Equity Incentive Plan

On June 2, 2022, the Company's stockholders approved the 2022 Omnibus Equity Incentive Plan (the "2022 Plan"). The 2022 Plan provides for the grant of incentive stock options to Company employees, and for the grant of non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units and performance shares (collectively, "Awards") to employees, officers, directors, consultants and advisors of the Company. The maximum aggregate number of shares that may be issued under the 2022 Plan is 4,000,000 shares of our common stock and is subject to adjustment in connection with changes in capitalization, reorganization and change in control events. Shares subject to Awards granted under the 2022 Plan that expire unexercised or are forfeited, will become available for future grant under 2022 Plan. However, shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will not become available for future grant under the 2022 Plan. Awards granted subsequent to June 2, 2022 were granted under the 2022 Plan.

Stock Option Awards

The following is a summary of stock option awards and weighted average exercise price per option:

	Plan Options	Weighted Average Exercise Price
Options outstanding at December 31, 2021	920,557	$ 59.13
Options exercised	(47,642)	38.39
Options canceled or expired	(41,551)	39.07
Options outstanding at December 31, 2022	831,364	$ 61.32
Options exercisable at December 31, 2022	286,000	$ 34.03

Intrinsic value of stock options is calculated as the excess of market price of the Company's common stock over the strike price of the stock options, multiplied by the number of stock options. The intrinsic value of the Company's stock options is as follows (in thousands):

	As of December 31,	
	2022	2021
Stock options outstanding	$ 5,576	$ 29,600
Stock options exercisable	$ 5,400	$ 24,200
Stock options vested and expected to vest	$ 5,576	$ 29,600

The intrinsic value of stock options exercised for the years ended December 31, 2022, 2021 and 2020 was approximately $1.1 million, $3.0 million and $0.5 million, respectively.

The following weighted average assumptions were used in the fair value calculation for the year ended December 31, 2020. No stock option awards were granted during the years ended December 31, 2022 and 2021.

	Year Ended December 31,
	2020
Expected term (in years)	6.0
Volatility	43.8 %
Risk-free interest rate	1.73 %
Dividend yield	—
Valuation Data:	
Weighted average fair value per share granted	$ 18.86

On April 24, 2014, the Company granted 500,000 stock options with a market-based condition to its Founder and Executive Chairman. In 2018, the number of stock options was adjusted from 500,000 stock options to approximately 527,000 and the exercise price of each option was adjusted from $80.94 to $76.73, in connection with a special dividend and pursuant to the anti-dilution provisions of the 2012 Plan. The stock options will not vest or become exercisable unless (i) the Founder and Executive Chairman remains continuously employed by the Company until the fifth anniversary of the date of grant and (ii) the average 90-day closing price of the Company's common stock equals or exceeds $161.88 per share for any 90 consecutive calendar days during the period commencing on the fifth anniversary of the date of grant and ending on the tenth anniversary of the date of grant, inclusive provided that the Founder and Executive Chairman remains continuously employed by the Company until the date of satisfaction of such condition. The derived requisite service period was determined to be six years based on a valuation technique. The total fair value of the grant is $21.6 million and is being recognized over the derived requisite service period. In the event that the market condition remains unsatisfied upon completion of the requisite service period, no charge will be reversed.

Restricted Stock Units Awards (including PRSUs)

The following table presents a summary of the Company’s RSUs activity for the year ended December 31, 2022:

	Plan RSUs	Weighted Average Fair Value
Non-vested balance at December 31, 2021	1,178,658	$ 61.90
Units granted	1,487,804	71.65
Units vested	(607,691)	53.58
Units canceled or forfeited	(342,253)	77.56
Non-vested balance at December 31, 2022	1,716,518	$ 70.17
Non-vested and deferred balance at December 31, 2022	1,764,017	$ 69.63

On April 24, 2014, the Company granted 100,000 restricted stock units with a market-based condition to its Founder and Executive Chairman. In 2018, the number of RSUs was adjusted to approximately 105,000, in connection with a special dividend and pursuant to the anti-dilution provisions of the 2012 Plan. The restricted stock units will vest only if (i) the reporting person remains continuously employed by the Company until the fifth anniversary of the date of grant and (ii) the average 90-day closing price of the Company's common stock equals or exceeds $161.88 for any 90 consecutive calendar days during the period commencing on the fifth anniversary of the date of grant and ending on the tenth anniversary of the date of grant, inclusive; provided that the reporting person remains continuously employed by the Company until the date of satisfaction of such condition. The derived requisite service period was determined to be six years based on a valuation technique. The total fair value of the grant is $5.8 million and is being recognized over the derived requisite service period. In the event that the market condition remains unsatisfied upon completion of the requisite service period, no charge will be reversed.

As of December 31, 2022, the total unrecognized compensation charge related to the restricted stock units is approximately $75.8 million, which is expected to be recognized through fiscal 2026.

(11) Other (Expense) / Income, net

The following table presents a summary of the Company’s other (expense) / income activity included in the accompanying Consolidated Statements of Operations (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Foreign currency (loss) / gain	$ (1,338)	$ (3,303)	$ 3,067
Interest expense	(1,336)	—	—
Other	87	(67)	1,190
Other (expense) / income, net	$ (2,587)	$ (3,370)	$ 4,257

(12) Income Taxes

The Company’s geographical breakdown of its income before income taxes is as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Domestic	$ 86,207	$ 104,241	$ 83,255
Foreign	4,830	495	6,268
Income before income taxes	$ 91,037	$ 104,736	$ 89,523

The following table summarizes the consolidated provision for income taxes (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Current provision:			
Federal	$ 16,891	$ 7,834	$ 11,287
State and local	3,362	2,694	2,294
Foreign	5,268	4,096	3,158
Deferred provision (benefit):			
Federal	(9,286)	(1,715)	(1,147)
State and local	(1,107)	(137)	149
Foreign	(194)	81	2,016
Provision for income taxes	$ 14,934	$ 12,853	$ 17,757

The provision for income taxes differs from statutory income tax rate as follows:

	Year Ended December 31,		
	2022	2021	2020
U.S. income tax at federal statutory rate	21.0 %	21.0 %	21.0 %
Tax credits	(3.3)	(1.8)	(1.7)
State and local taxes, net of federal benefit	1.6	1.6	1.5
Equity-based compensation	1.4	(0.6)	2.4
Foreign rate differential	0.8	0.5	0.5
Foreign-derived intangible income deduction	(8.2)	(5.5)	(6.0)
Uncertain tax positions	3.4	0.8	1.0
Valuation allowance	1.2	0.8	0.9
Capital loss	(1.7)	(4.9)	—
Non-deductible—other	0.2	0.4	0.2
Total provision for income taxes	16.4 %	12.3 %	19.8 %

SHUTTERSTOCK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tax effect of the Company's temporary differences that give rise to deferred tax assets and liabilities are presented below (in thousands):

	Year Ended December 31,	
	2022	2021
Deferred tax assets:		
Non-cash equity-based compensation	$ 14,947	$ 13,612
Intangible amortization	81	261
Accruals and reserves	6,526	6,016
Lease liabilities	10,069	9,715
Net operating losses	8,978	7,591
Other	1,648	1,729
Gross deferred tax assets	42,249	38,924
Valuation allowance	(4,622)	(3,632)
Net deferred tax assets	37,627	35,292
Deferred tax liabilities:		
Right-of-use assets	(3,867)	(7,260)
Depreciation and amortization	(21,692)	(20,301)
Net deferred tax assets	$ 12,068	$ 7,731

The non-cash equity-based compensation for the Company includes a deferred tax asset of $6.2 million associated with the performance-based grant of stock options and restricted stock units to the Company's Founder and Executive Chairman. In addition, the $4.6 million valuation allowance relates to certain foreign net operating loss carryforwards, where the Company has determined that there is sufficient uncertainty regarding the future realization of these net operating losses.

The following table summarizes changes to the Company's unrecognized tax benefits as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Balance of unrecognized tax benefits at January 1	$ 10,229	$ 9,592	$ 8,949
Gross additions for tax positions for prior years	139	—	—
Gross additions for tax positions for current year	2,844	795	724
Gross reductions for tax positions of prior years	(191)	(158)	(81)
Balance of unrecognized tax benefits at December 31	$ 13,021	$ 10,229	$ 9,592

The total amount of unrecognized tax benefits as of December 31, 2022 was $12.1 million, which, if recognized, would impact the Company's effective tax rate in future periods. Unrecognized tax benefits is included within prepaid expenses and other current assets and other non-current liabilities on the Consolidated Balance Sheets. The Company has determined that it is reasonably possible that there will be a reversal of unrecognized tax benefits by as much as $2.9 million in the next fiscal year due to the expected resolution of prior year tax matters.

The Company recognizes interest expense and tax penalties related to unrecognized tax benefits as a component of income tax expense in the Consolidated Statements of Operations. Interest and penalties included in the Company's provision for income taxes were not material in all the periods presented.

The Company and its subsidiaries file income tax returns in the U.S. and various foreign jurisdictions. The Company is currently under examination by the U.S. Internal Revenue Service for the tax years 2017 through 2021. The Company is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2016.

As of December 31, 2022, the Company has $37.5 million in tax net operating loss carryforwards in US and foreign tax jurisdictions which are available to reduce future income taxes and the majority of this amount relates to jurisdictions with an indefinite carryforward period.

As of December 31, 2022, the Company had approximately $16.5 million of undistributed earnings attributable to its foreign subsidiaries. It is the Company's practice and intention to indefinitely reinvest the earnings of its foreign subsidiaries in those operations. The Company has not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences resulting from the earnings indefinitely reinvested outside the United States. An estimate of the associated unrecognized deferred tax liability related to these undistributed earnings is not material.

(13) Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding for the period, excluding unvested RSUs and stock options. Diluted net income per share is based upon the weighted average common shares outstanding for the period plus dilutive potential common shares, 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 fiscal years 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Net income	$ 76,103	$ 91,883	$ 71,766
Shares used to compute basic net income per share	36,042	36,509	35,844
Dilutive potential common shares:			
Stock options and employee stock purchase plan shares	155	247	99
Unvested restricted stock awards	349	568	426
Shares used to compute diluted net income per share	36,546	37,324	36,369
Basic net income per share	$ 2.11	$ 2.52	$ 2.00
Diluted net income per share	$ 2.08	$ 2.46	$ 1.97
Potentially dilutive shares included in the calculation	1,127	1,336	1,286
Anti-dilutive shares excluded from the calculation	464	6	931

(14) Geographic Financial Information

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

	Year Ended December 31,		
	2022	2021	2020
North America	$ 353,197	$ 290,979	$ 236,599
Europe	243,025	253,479	220,665
Rest of the world	231,604	228,957	209,422
Total revenue	$ 827,826	$ 773,415	$ 666,686

Included in North America is the United States which comprises approximately 40%, 34% and 33% of total revenue for the years ended December 31, 2022, 2021 and 2020, respectively. No other country accounts for more than 10% of the Company's revenue in any period presented.

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

	December 31, 2022	December 31, 2021
North America	$ 42,266	$ 40,465
Europe	12,079	7,460
Rest of the world	203	149
Total long-lived tangible assets	$ 54,548	$ 48,074

Included in North America is the United States, which comprises 73% and 76% of total long-lived tangible assets as of December 31, 2022 and 2021, respectively. Included in Europe is Ireland, which comprised 17% and 11% of total long-lived tangible assets as of December 31, 2022 and 2021, respectively. No other country accounts for more than 10% of the Company’s long-lived tangible assets in any period presented.

(15) Leasing

The Company’s leases relate primarily to office facilities that expire on various dates from 2023 through 2029, some of which include one or more options to renew. All of the Company’s leases are classified as operating leases. Operating lease costs, including insignificant costs related to short-term leases, were $10.7 million, $10.2 million and $10.5 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The Company made cash payments for operating leases of $9.4 million, $9.7 million and $10.0 million for the years ended December 31, 2022, 2021 and 2020, respectively, which were included in cash flows from operating activities within the Consolidated Statements of Cash Flows. In addition, for the years ended December 31, 2022 and 2021, the Company recorded right-of-use assets of $6.0 million and $1.4 million, respectively, which were obtained in exchange for lease obligations. For the years ended December 31, 2022 and 2021, the Company’s operating leases have a weighted average remaining lease term of 5.7 years and 6.8 years, respectively, and a weighted average discount rate of 6.1%.

Balance sheet information for the Company’s leases as of December 31, 2022, is as follows:

(in thousands)	December 31, 2022	December 31, 2021
Right-of-use assets	$ 17,593	$ 34,570
Lease liabilities, current	$ 8,910	$ 8,364
Lease liabilities, non-current	35,611	36,966
Total lease liabilities	$ 44,521	$ 45,330

Lease Commitments

Future undiscounted lease payments for the Company's operating lease liabilities and a reconciliation of these payments to its lease liabilities at December 31, 2022 are as follows (in thousands):

Reconciliation of future undiscounted lease payments to lease liabilities		Lease Commitments
Year ending December 31,		
2022		9,335
2023		9,270
2024		9,224
2024		7,841
2025		7,662
Thereafter		10,458
Total undiscounted lease payments		53,790
Less: imputed interest		(9,269)
Total lease liabilities	$	44,521

The Company's most significant lease is for its headquarters in New York City, which was entered into in March 2013 and was amended in January 2016 ("ESB Lease"). As amended, the ESB Lease will expire in 2029, and the undiscounted remaining future minimum lease payments are approximately $44.7 million. The Company is also party to a letter of credit as a security deposit for this leased facility, in the amount of $1.7 million.

Impairment of Lease and Related Assets

In the fourth quarter of 2022, the Company completed an analysis of leased-office usage and (i) ceased using certain of its office space, including two floors of its headquarters in New York City as well as (ii) abandoned certain other smaller office spaces. This triggered the recognition of an $18.7 million impairment charge, of which $15.9 million and $2.8 million relates to right-of-use assets and property and equipment, respectively.

The Company calculated the fair value of the right-of-use asset and property and equipment for the impacted office spaces based on estimated future discounted cash flows using significant unobservable inputs. These inputs include (i) the length of time necessary to market the office space and commence receiving sub-lease income, (ii) the anticipated amount of sub-lease income and tenant improvement allowances, and (iii) a discount rate incorporating risks associated with these projected cash flows. This fair value measurement is classified as Level 3 in the fair value hierarchy. The Company fully impaired the Right-of-use assets and Property and equipment associated with the abandoned smaller office spaces.

(16) Commitments and Contingencies

Other Non-Lease Obligations

As of December 31, 2022, the Company's other unconditional cash obligations, consisting primarily of 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, are as follows:

Year Ending December 31,		**Other Obligations**
2023	$	48,600
2024		33,000
2025		9,900
2026		900
2027		400
Thereafter		200
Total non-lease unconditional obligations	$	93,000

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.

Customer Indemnifications

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 the modifications made by the customer, or the context in which an image is used. The standard maximum aggregate obligation and liability to any one customer for all claims is generally limited to ten thousand dollars. The Company offers certain of its customers greater levels of indemnification, including unlimited indemnification. As of December 31, 2022, the Company has recorded no liabilities related to indemnification for loss contingencies. Additionally, the Company believes that it has the appropriate insurance coverage in place to adequately cover such indemnification obligations, if necessary.

Employment Agreements and Indemnification Agreements

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Agreement and Plan of Merger, dated as of October 5, 2012, between the Registrant and Shutterstock Images LLC.	S-1/A	333-181376	2.1	October 5, 2012
2.2	Agreement and Plan of Merger, dated as of October 5, 2012, among the Registrant, Shutterstock Investors II, Inc., Insight Venture Partners (Cayman) V, L.P., Shutterstock Investors III, Inc. and Insight Venture Partners V Coinvestment Fund, L.P.	S-1/A	333-181376	2.2	October 5, 2012
2.3	Agreement and Plan of Merger, dated as of May 10, 2022.	8-K	001-35669	2.1	May 11, 2022
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect.	S-1/A	333-181376	3.2	June 29, 2012
3.2	Amended and Restated Bylaws of the Registrant, as currently in effect.	S-1/A	333-181376	3.4	September 27, 2012
4.1	Specimen Stock Certificate of the Registrant	S-3ASR	333-243706	4.1	August 10, 2020
4.2	Description of the Registrant's Securities	10-K	001-35669	4.1	February 13, 2020
10.1 §	Form of Indemnification Agreement between the Registrant and each of its Officers and Directors.	S-1/A	333-181376	10.1	August 30, 2012
10.2 §	2012 Omnibus Equity Incentive Plan and Form of Award Agreements.	10-K	001-35669	10.2	February 27, 2015
10.3 §	2022 Omnibus Equity Incentive Plan and Form of Award Agreement	14A	001-35669	N/A	April 21, 2022
10.4 §	Shutterstock, Inc. Short-Term Incentive Plan.	S-1/A	333-181376	10.7	August 30, 2012
10.5(a) §	Employment Agreement between Shutterstock Images LLC and Jonathan Oringer dated September 24, 2012.	S-1/A	333-181376	10.8(a)	September 27, 2012
10.5(b) §	Severance and Change in Control Agreement between Shutterstock Images LLC and Jonathan Oringer dated September 24, 2012.	S-1/A	333-181376	10.8(b)	September 27, 2012
10.5(c) §	Summary of Compensatory Arrangements with Jonathan Oringer, dated April 24, 2014.	8-K	001-35669	N/A	April 28, 2014
10.5(d) §	Amendment to Employment Agreement, dated February 11, 2020, by and between Jon Oringer and Shutterstock, Inc.	10-K	001-35669	10.5(d)	February 13, 2020
10.5(e) §	Amendment to Severance and Change in Control Agreement, dated February 11, 2020, by and between Jon Oringer and Shutterstock, Inc.	10-K	001-35669	10.5(e)	February 13, 2020
10.6	Lease Agreement, between Shutterstock, Inc. and Empire State Building Company LLC, dated March 21, 2013.	10-Q	001-35669	10.1	May 10, 2013
10.7	First Lease Modification Agreement, by and between Shutterstock, Inc. and ESRT Empire State Building, L.L.C., dated August 31, 2015.	10-Q	001-35669	10.3	November 6, 2015
10.8	Second Lease Modification and Extension Agreement, by and between Shutterstock, Inc. and ESRT Empire State Building, L.L.C., dated January 8, 2016.	8-K	001-35669	10.1	January 13, 2016
10.9	Third Lease Modification Agreement, dated July 19, 2016, by and between Shutterstock, Inc. and ESRT Empire State Building, L.L.C.	10-Q	001-35669	10.1	August 4, 2016
10.10 §	Shutterstock, Inc. Director Compensation Policy	10-K	001-35669	10.1	February 26, 2019
10.11 §	Shutterstock, Inc. Form of 2012 Omnibus Equity Incentive Plan Restricted Stock Unit Award Agreement	10-Q	001-35669	10.5	May 4, 2016
10.12 §	Shutterstock, Inc. Form of 2012 Omnibus Equity Incentive Plan Restricted Stock Unit Award Agreement for Canadian Employees	10-Q	001-35669	10.6	May 4, 2016
10.13 §	Shutterstock, Inc. Form of 2012 Omnibus Equity Incentive Plan Deferred Restricted Stock Unit Award Agreement	10-Q	001-35669	10.7	May 4, 2016
10.14 §	Shutterstock, Inc. Amended and Restated 2012 Omnibus Equity Incentive Plan	10-Q	001-35669	10.4	August 4, 2016
10.15 §	Shutterstock, Inc. 2012 Amended and Restated Omnibus Equity Incentive Plan Restricted Stock Unit Award Agreement, as amended September 15, 2016	10-Q	001-35669	10.1	November 4, 2016
10.16 §	Shutterstock, Inc. 2012 Amended and Restated Omnibus Equity Incentive Plan Restricted Stock Unit Award Agreement for Canadian Employees, as amended September 15, 2016	10-Q	001-35669	10.2	November 4, 2016
10.17 §	Shutterstock, Inc. 2012 Amended and Restated Omnibus Equity Incentive Plan Deferred Restricted Stock Unit Award Agreement, as amended September 15, 2016	10-Q	001-35669	10.3	November 4, 2016
10.18 §	Shutterstock, Inc. 2012 Amended and Restated Omnibus Equity Incentive Plan Performance Stock Unit Award Agreement	8-K	001-35669	10.1	February 11, 2020
10.19 §	Shutterstock, Inc. 2012 Amended and Restated Omnibus Equity Incentive Plan Restricted Stock Unit Award Agreement, for grants subsequent to April 2020	10-Q	001-35669	10.1	April 27, 2021

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.20(a) §	Employment Agreement, dated August 5, 2019, by and between the Company and Steven Ciardiello	8-K	001-35669	10.1	August 6, 2019
10.20(b) §	Amendment to Employment Agreement, dated November 5, 2019, by and between the Company and Steven Ciardiello	10-Q	001-35669	10.4	November 5, 2019
10.21(a) §	Employment Agreement, dated March 13, 2019, by and between the Company and Stan Pavlovsky	10-Q	001-35669	10.1	April 25, 2019
10.21(b) §	Amendment to Employment Agreement, dated November 5, 2019, by and between the Company and Stan Pavlovsky	10-Q	001-35669	10.1	November 5, 2019
10.21(c) §	Second Amendment to Employment Agreement, dated February 11, 2020, by and between Stan Pavlovsky and Shutterstock, Inc.	10-K	001-35669	10.25(c)	February 13, 2020
10.22 §	Employment Agreement, dated November 7, 2019, by and between the Company and Jarrod Yahes	8-K	001-35669	10.1	November 18, 2019
10.23(a) §	Employment Agreement, dated November 4, 2019, between the Company and Pietro Silvio	10-Q	001-35669	10.2	July 28, 2020
10.23(b) §	Separation Agreement and General Release, between the Company and Peter Silvio, dated September 1, 2022	8-K	001-35669	10.1	September 7, 2022
10.24 §	Employment Agreement, dated May 8, 2022, by and between the Company and Paul J. Hennessy	8-K	001-35669	10.2	May 11, 2022
10.25 §	Employment Agreement, dated January 12, 2023, by and between the Company and John Caine	8-K	001-35669	10.1	January 17, 2023
10.26	Credit Agreement, dated as of May 6, 2022, by and among Shutterstock, Inc., as borrower, certain subsidiary guarantors, certain financial institutions, as lenders, and Bank of America, N.A., as administrative agent for such lenders.	8-K	001-35669	10.1	May 11, 2022
10.27 §	2022 Nonqualified Deferred Compensation Plan	10-Q	001-35669	10.2	October 25, 2022
21.1 **	List of Subsidiaries.				
23.1 **	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.				
24.1 **	Power of Attorney (included on signature page of this Annual Report on Form 10-K).				
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 #**	Certifications 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.				
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)				

* XBRL information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.

§ Management contract or compensatory plan or arrangement.

\# These certifications are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference in any filing we make under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 14, 2023	By:	/s/ PAUL J. HENNESSY
		Paul J. Hennessy *Chief Executive Officer*

Each person whose individual signature appears below hereby authorizes and appoints Paul J. Hennessy and Jarrod Yahes, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JONATHAN ORINGER Jonathan Oringer	Founder and Executive Chairman of the Board	February 14, 2023
/s/ PAUL J. HENNESSY Paul J. Hennessy	Chief Executive Officer and Director (Principal Executive Officer)	February 14, 2023
/s/ JARROD YAHES Jarrod Yahes	Chief Financial Officer (Principal Financial Officer)	February 14, 2023
/s/ STEVEN CIARDIELLO Steven Ciardiello	Chief Accounting Officer (Principal Accounting Officer)	February 14, 2023
/s/ RACHNA BHASIN Rachna Bhasin	Director	February 14, 2023
/s/ DEIRDRE M. BIGLEY Deirdre M. Bigley	Director	February 14, 2023
/s/ THOMAS R. EVANS Thomas R. Evans	Director	February 14, 2023
/s/ ALFONSE UPSHAW Alfonse Upshaw	Director	February 14, 2023

Exhibit 21.1

LIST OF SUBSIDIARIES[1]

Name of Subsidiary	Jurisdiction
Shutterstock Images C.V.	The Netherlands
Shutterstock Netherlands B.V.	The Netherlands
Shutterstock GmbH	Germany
Shutterstock (UK) Ltd.	United Kingdom
Shutterstock International Services EMEA Ltd.	United Kingdom
Rex Features (Holdings) Ltd.	United Kingdom
Rex Features Ltd.	United Kingdom
Shutterstock (France) SAS	France
Shutterstock Hong Kong Ltd.	Hong Kong
Shutterstock Ireland Ltd	Ireland
Shutterstock Italy Srl	Italy
Shutterstock Japan GK	Japan
Shutterstock Brazil Servicos de Imagem Ltda.	Brazil
Shutterstock Canada ULC	Canada
Shutterstock Australia Pty. Ltd.	Australia
Shutterstock Korea Ltd	Korea
Shutterstock Singapore Pte. Ltd.	Singapore
Shutterstock International Services APAC PTE Ltd	Singapore
Shutterstock Romania Srl	Romania
Shutterstock Studios, LLC	New York, US
Shutterstock.AI, Inc.	Delaware, US
Shutterstock.AI International Ltd.	United Kingdom
Datasine Limited	United Kingdom
Pattern89, Inc.	Indiana, US
TurboSquid, Inc.	Louisiana, US
General Purpose LLC	New York, US
Shutterstock Studios (UK) Ltd.	United Kingdom
Pond5, Inc.	Delaware, US
Hyperstock LLC	Delaware, US
Pond5 Media Ireland, Ltd.	Ireland
Pond5 Publishing, Ltd.	Ireland
Pond5 Media (Canada), Inc.	Canada
Pond5, GmbH	Switzerland
Pond5 s.r.o.	Czech Republic
SCP 2020 Ltd.	United Kingdom
Splash News Europe Ltd.	United Kingdom
SN America Inc.	Delaware, US
SSCP One Ltd.	United Kingdom
SSCP Two Ltd.	United Kingdom

(1) Certain other subsidiaries of Shutterstock, Inc. have been omitted because, in the aggregate, they would not constitute a significant subsidiary.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-184371, 333-184544, 333-202395 and 333-268480) and Form S-3 (No. 333-243706) of Shutterstock, Inc. of our report dated February 14, 2023 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 14, 2023

Exhibit 31.1

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

I, Paul Hennessy, certify that:

1. I have reviewed this annual report on Form 10-K 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(s) 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(s) 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: February 14, 2023

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

Exhibit 31.2

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

I, Jarrod Yahes, certify that:

1. I have reviewed this annual report on Form 10-K 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(s) 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(s) 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: February 14, 2023

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

Exhibit 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

In connection with the Annual Report on Form 10-K of Shutterstock, Inc. for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Paul Hennessy, as Chief Executive Officer of Shutterstock, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of 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: February 14, 2023	By:	/s/ Paul Hennessy
		Paul Hennessy
		Chief Executive Officer
		(Principal Executive Officer)

In connection with the Annual Report on Form 10-K of Shutterstock, Inc. for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jarrod Yahes, as Chief Financial Officer of Shutterstock, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of 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: February 14, 2023	By:	/s/ Jarrod Yahes
		Jarrod Yahes
		Chief Financial Officer
		(Principal Financial Officer)