

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **November 5, 2019**

Shutterstock, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35669
(Commission
File Number)

80-0812659
(IRS Employer
Identification No.)

**350 Fifth Avenue, 21st Floor
New York, NY 10118**
(Address of principal executive offices, including zip code)

(646) 710-3417

(Registrant's telephone number, including area code)
Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	SSTK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

- 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.

Item 2.02 Results of Operations and Financial Condition.

On November 5, 2019, Shutterstock, Inc. (the "Company") issued a press release announcing its financial results for the fiscal period ended September 30, 2019. A copy of the press release is furnished as Exhibit 99.1 to this current report and is incorporated herein by reference. In addition, a copy of the presentation slides which will be referenced on the Company's earnings call at 8:30 a.m. Eastern Time on Tuesday, November 5, 2019 is furnished as Exhibit 99.2 to this current report and incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibits 99.1 and 99.2 attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 7.01 Regulation FD Disclosure.

The information provided above in "Item 2.02 Results of Operations and Financial Condition" is incorporated by reference in this Item 7.01.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

- | | |
|------|---|
| 99.1 | Press release dated November 5, 2019 |
| 99.2 | Presentation slides referenced on the earnings call held by Shutterstock, Inc. on November 5, 2019 |
| 104 | Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document. |

EXHIBIT INDEX

Exhibit No.	Exhibit Description
99.1	Press release dated November 5, 2019
99.2	Presentation slides referenced on the earnings call held by Shutterstock, Inc. on November 5, 2019
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

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

SHUTTERSTOCK, INC.

Dated: November 5, 2019

By: /s/ Steven Ciardiello
Steven Ciardiello
Interim Chief Financial Officer and Chief Accounting Officer

**Shutterstock Reports Third Quarter 2019 Financial Results**

New York, NY - November 5, 2019 - Shutterstock, Inc. (NYSE: SSTK) (the "Company"), a leading global technology company offering a creative platform for high-quality content, tools and services, today announced financial results for the third quarter ended September 30, 2019.

Commenting on the Company's performance, founder and CEO Jon Oringer said, "We executed well in the third quarter, delivering revenue growth while maintaining consistent cash generation - keeping us on track to achieve our guidance for 2019. We're continuing our work on improving the performance of our enterprise business with the goal of better supporting the professionals who rely on our content, tools and services to be successful in their work.

"Our team is highly focused on achieving operational and marketing efficiencies, that will position Shutterstock to drive even stronger results throughout 2020."

Third Quarter 2019 highlights compared to Third Quarter 2018:**Key Operating Metrics**

- Paid downloads increased 5% to 46.3 million.
- Revenue per download remained flat at \$3.40.
- Image collection expanded 34% to approximately 297 million images.
- Video collection expanded 33% to approximately 16 million clips.

Financial Highlights

- Revenue increased 5% to \$159.1 million. On a constant currency basis, revenue increased 6%.
- Income from operations decreased by 52% to \$3.2 million.
- Net income decreased by 34% to \$4.9 million.
- Adjusted EBITDA decreased 14% to \$21.6 million.
- Diluted EPS decreased by \$0.07 to \$0.14 per share.

THIRD QUARTER RESULTS**Revenue**

Revenue was \$159.1 million for the third quarter of 2019, an increase of \$7.5 million, or 5%, as compared to the third quarter of 2018, driven by positive year-over-year growth in our e-commerce channel. Revenue generated through our e-commerce channel increased approximately 8% as compared to the third quarter of 2018, to \$96.2 million and represented 60% of total revenue in the third quarter of 2019. Revenue from enterprise customers was \$62.8 million, which remained flat compared to 2018 and represented 40% of total revenue in the third quarter of 2019.

Revenue growth on a constant currency basis was approximately 6% in the third quarter of 2019, as compared to the third quarter of 2018. E-commerce and enterprise revenue growth on a constant currency basis were approximately 10% and 1%, respectively, in the third quarter of 2019, as compared to the third quarter of 2018.

Income from Operations

Income from operations was \$3.2 million, a decrease of \$3.5 million, or 52%, compared to the third quarter of 2018, primarily as a result of an increase in operating expenses of \$11.0 million, or 8%, partially offset by an increase in revenue of \$7.5 million. The increase in operating expenses is attributable to sales and marketing expenses, which is due to higher marketing costs, and an increase in general and administrative expenses. General and administrative expenses have increased due to compensation and technology related costs.

Net Income

Net income of \$4.9 million, or \$0.14 per diluted share, decreased \$2.5 million for the third quarter of 2019 as compared with \$7.4 million, or \$0.21 per diluted share, for the third quarter of 2018, primarily driven by the reduction in income from operations partially offset by an increase in the income tax benefit for the third quarter of 2019 attributable to discrete income tax items.

Adjusted EBITDA

Adjusted EBITDA of \$21.6 million for the third quarter of 2019 decreased \$3.5 million, or 14%, as compared to the third quarter of 2018, driven primarily by the reduction in income from operations. We define adjusted EBITDA as net income adjusted for foreign currency transaction gains and losses, expenses related to long-term incentives and contingent consideration related to acquisitions, impairment charge related to a long-term investment asset, interest income and expense, income taxes, depreciation, amortization, non-cash equity-based compensation and the gain on the sale of Webdam.

Adjusted Net Income

Adjusted net income was \$10.3 million, or \$0.29 per diluted share, for the third quarter of 2019 as compared to \$13.4 million, or \$0.38 per diluted share, in the third quarter of 2018, a decrease of \$3.1 million, or 23%. We define adjusted net income as net income excluding the impact of non-cash equity-based compensation, the amortization of acquisition-related intangible assets, expenses related to long-term incentives and contingent consideration related to acquisitions, the gain on the Sale of Webdam, impairment charge related to a long-term investment asset and the estimated tax impact of such adjustments.

LIQUIDITY

Our cash and cash equivalents increased by \$54.5 million to \$285.4 million at September 30, 2019, as compared with \$230.9 million at December 31, 2018. This increase was driven by \$77.0 million of net cash provided by our operating activities, \$4.6 million of proceeds from the exercise of stock options and \$2.5 million received from the release of escrowed funds related to the sale of Webdam, which was sold in the first quarter of 2018 (the "Sale of Webdam"), partially offset by \$19.5 million of capital expenditures and \$6.4 million of cash used in settlement of employee taxes related to the vesting of restricted stock units.

We paid net cash taxes of \$1.5 million during the nine months ended September 30, 2019, compared to \$0.4 million paid during the first nine months of 2018.

Free cash flow was \$55.6 million for 2019, an increase of \$19.4 million from 2018. This change was primarily driven by lower capital expenditures, in addition to higher net cash provided by operations. Free cash flow is defined as cash provided by operating activities adjusted for capital expenditures and content acquisition.

STOCK REPURCHASE PROGRAM

During the third quarter of 2019, we did not repurchase shares of our stock pursuant to our existing stock repurchase program. From the inception of this program through September 30, 2019, we have repurchased 2.6 million shares of our stock for a total of \$100 million under the stock repurchase program at an average per-share price of \$39.09. As of September 30, 2019, there remains \$100 million authorized for purchases under our stock repurchase program.

The stock repurchase program, which commenced in November 2015, authorizes the Company to purchase shares of our 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. The timing and amount of any future share repurchases will be determined by our management based on its evaluation of market conditions and other factors. The repurchase program may be modified, suspended or discontinued at any time.

OPERATING METRICS

	Three Months Ended September 30,	
	2019	2018
	(in millions, except revenue per download)	
Paid downloads (during the period)	46.3	43.9
Revenue per download (during the period) ⁽¹⁾	\$3.40	\$3.40
Content in our collection (end of period) ⁽²⁾ :		
Images	297	221
Video clips	16	12

(1) Revenue per download is defined as the amount of revenue recognized in a given period divided by the number of paid downloads in that period excluding revenue from custom content and the impact of revenue that is not derived from or associated with content licenses.

(2) Content in our collection is defined as the total number of (a) images (photographs, vectors and illustrations) and (b) video clips available to customers for commercial license on shutterstock.com at the end of the period. We exclude content from this collection metric that is not uploaded directly to our site but is available for license by our customers through an application program interface, custom content and certain content that may be licensed for editorial use only.

FINANCIAL OUTLOOK

The Company's current expectations for the full year 2019 remain unchanged and are as follows:

- Revenue of \$645 to \$670 million.
- Adjusted EBITDA of \$93 million to \$107 million.
- Income from operations of \$18 million to \$32 million.
- Non-cash equity-based compensation expense of approximately \$25 million.
- Capital expenditures, including capitalized labor, of approximately \$32 million.
- Effective tax rate in the teens.

NON-GAAP FINANCIAL MEASURES

In addition to reporting results in accordance with United States generally accepted accounting principles (GAAP), Shutterstock also refers to adjusted EBITDA, adjusted net income, revenue growth (including by distribution channel) on a constant currency basis, revenue excluding the impact of Webdam, revenue growth excluding the impact of Webdam, on a constant currency basis and free cash flow.

Shutterstock defines adjusted EBITDA as net income adjusted for foreign currency transaction gains and losses, expenses related to long-term incentives and contingent consideration related to acquisitions, impairment charge related to a long-term investment asset, interest income and expense, income taxes, depreciation, amortization, non-cash equity-based compensation and the gain on the Sale of Webdam; adjusted net income as net income excluding the impact of non-cash equity-based compensation, the amortization of acquisition-related intangible assets, expenses related to long-term incentives and contingent consideration related to acquisitions, the gain on Sale of Webdam, impairment charge related to a long-term investment asset and the estimated tax impact of such adjustments; revenue growth (including by distribution channel) on a constant currency basis as the increase in current period revenues (including revenues by distribution channel) over prior period revenues, utilizing fixed exchange rates for translating foreign currency revenues for all periods in the comparison; revenue excluding the impact of Webdam as total Company revenue for each period presented less the amount of revenue generated by the Webdam business during that period; revenue growth excluding the impact of Webdam, on a constant currency basis as total Company revenue for each period presented, less the amount of revenue generated by the Webdam business during that period utilizing fixed exchange rates for translating foreign currency revenues for both periods; and free cash flow as cash provided by operating activities, adjusted for capital expenditures and content acquisition. These figures have not been calculated in accordance with GAAP and should be considered in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP results. We caution investors that non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly-titled measures presented by other companies.

Management believes that adjusted EBITDA, adjusted net income, revenue excluding the impact of Webdam, revenue growth (including by distribution channel) on a constant currency basis, revenue excluding the impact of Webdam, on a constant currency basis and free cash flow are useful to investors to provide them with disclosures of Shutterstock's operating results on the same basis as that used by management. Additionally, management believes that adjusted EBITDA and adjusted net income 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; with respect to revenue growth (including by distribution channel) on a constant currency basis, this provides useful information to investors by eliminating the effect of foreign currency fluctuations that are not directly attributable to Shutterstock's business; and with respect to revenue excluding the impact of Webdam, revenue growth excluding the impact of Webdam (expressed as a percentage) and revenue growth excluding the impact of Webdam, on a constant currency basis (expressed as a percentage), these provide useful information to investors by eliminating the impact of a historical revenue source that is not part of our current business and, as applicable, also provides useful information to investors by eliminating the effect of foreign currency fluctuations that are not directly attributable to Shutterstock's ongoing business. Additionally, management 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 property and equipment to support the Company's ongoing business operations and provides them with the same measures that management uses as the basis for making resource allocation decisions.

Shutterstock's management also uses the non-GAAP financial measures adjusted EBITDA, adjusted net income, revenue excluding the impact of Webdam, revenue growth (including by distribution channel) on a constant currency basis, revenue growth excluding the impact of Webdam, on a constant currency basis and free cash flow, in conjunction with GAAP financial measures, as an integral part of managing the business and to: (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.

A reconciliation of the differences between adjusted EBITDA, adjusted net income, revenue excluding the impact of Webdam and free cash flow, and the most comparable financial measure calculated and presented in accordance with GAAP, is presented under the heading "Reconciliation of Non-GAAP Financial Information to GAAP" immediately following the Consolidated Balance Sheets. We do not provide a reconciliation of adjusted EBITDA guidance to net income guidance, as the impact of net non-operating foreign currency exchange gains or losses which are excluded from adjusted EBITDA is inherently uncertain and difficult to estimate and is unavailable without unreasonable efforts. In addition, we believe such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

EARNINGS TELECONFERENCE INFORMATION

The Company will discuss its third quarter and full year financial results during a teleconference today, November 5, 2019, at 8:30 AM ET. The conference call can be accessed in the U.S. at (844) 634-1442 or outside the U.S. at (615) 247-0239 with the conference ID# 5039435. A live audio webcast of the call will also be available simultaneously at <http://investor.shutterstock.com>.

Following completion of the call, a recorded replay of the webcast will be available in the investor relations section of Shutterstock's website. A telephone replay of the call will also be available until November 12, 2019 in the U.S. at (855) 859-2056 or outside the U.S. at (404) 537-3406 with the conference ID# 5039435.

Additional investor information can be accessed at <http://investor.shutterstock.com>.

ABOUT SHUTTERSTOCK

Shutterstock, Inc. (NYSE: SSTK), directly and through its group subsidiaries, is a leading global provider of high-quality licensed photographs, vectors, illustrations, videos and music to businesses, marketing agencies and media organizations around the world. Working with its growing community of over 1 million contributors, Shutterstock adds hundreds of thousands of images each week, and currently has more than 297 million images and more than 16 million video clips available.

Headquartered in New York City, Shutterstock has offices around the world and customers in more than 150 countries. The company also owns Bigstock, a value-oriented stock media offering; Shutterstock Custom, a custom content creation platform; Offset, a high-end image collection; PremiumBeat, a curated royalty-free music library; and Shutterstock Editorial, a premier source of editorial images for the world's media.

For more information, please visit www.shutterstock.com and follow Shutterstock on Twitter and on Facebook.

FORWARD-LOOKING STATEMENTS

Statements in this press release regarding management's future expectations, predictions, beliefs, goals, intentions, plans, prospects or strategies, including statements regarding Shutterstock's future financial and operating performance on both a GAAP and non-GAAP basis and statements regarding Shutterstock's future growth, profitability and cash flow such as Shutterstock's expectations regarding financial outlook, future growth and profitability may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors including risks related to any changes to or the effects on liabilities, financial condition, future capital expenditures, revenue, expenses, net income or loss, synergies and future prospects; our inability to continue to attract and retain customers and contributors to our online marketplace for creative content; competitive factors; our inability to innovate technologically or develop, market and offer new products and services; costs related to litigation or infringement claims, indemnification claims and the inability to prevent misuse of our digital content; our inability to increase market awareness of Shutterstock and our products and services; our inability to effectively manage our growth; our inability to grow at historic growth rates or at all; technological interruptions that impair access to our websites; assertions by third parties of infringement of intellectual property rights by Shutterstock, our inability to effectively manage risks associated with operating internationally; our exposure to foreign exchange rate risk; our inability to address risks associated with sales to large corporate customers; government regulation of the internet; increasing regulation related to the handling of personal data; actions by governments to restrict access to our products and services; our inability to effectively expand our operations into new products, services and technologies; our inability to protect the confidential information of customers; increased tax liabilities associated with our worldwide operations, including our exposure to withholding, sales and transaction tax liabilities; the effect of the Tax Cuts and Jobs Act of 2017; general economic and political conditions worldwide; our inability to successfully integrate acquisitions and the associated technology and achieve operational efficiencies; and other factors and risks discussed under the heading "Risk Factors" in our most recent Annual Report on Form 10-K, as well as in other documents that may be filed by Shutterstock from time to time with the Securities and Exchange Commission. As a result of such risks, uncertainties and factors, Shutterstock's actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. The forward-looking statements contained in this press release are made only as of this date and Shutterstock assumes no obligation to update the information included in this press release or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 159,079	\$ 151,575	\$ 484,152	\$ 461,178
Operating expenses:				
Cost of revenue	68,635	66,461	206,379	198,842
Sales and marketing	45,614	41,028	134,548	123,414
Product development	13,533	14,032	42,113	47,208
General and administrative	28,114	23,355	86,760	74,901
Total operating expenses	155,896	144,876	469,800	444,365
Income from operations	3,183	6,699	14,352	16,813
Gain on Sale of Webdam	—	—	—	38,613
Other income / (expense), net	465	217	1,945	(6,000)
Income before income taxes	3,648	6,916	16,297	49,426
(Benefit) / Provision for income taxes	(1,286)	(531)	542	9,652
Net income	\$ 4,934	\$ 7,447	\$ 15,755	\$ 39,774
Earnings per share:				
Basic	\$ 0.14	\$ 0.21	\$ 0.45	\$ 1.14
Diluted	\$ 0.14	\$ 0.21	\$ 0.44	\$ 1.12
Weighted average common shares outstanding:				
Basic	35,309	34,991	35,219	34,897
Diluted	35,541	35,570	35,512	35,420

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

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 285,396	\$ 230,852
Accounts receivable, net	46,872	41,028
Prepaid expenses and other current assets	31,709	34,841
Total current assets	363,977	306,721
Property and equipment, net	63,155	76,188
Right-of-use assets	43,960	—
Intangibles assets, net	25,679	29,540
Goodwill	88,034	88,576
Deferred tax assets, net	13,787	12,375
Other assets	18,645	18,088
Total assets	\$ 617,237	\$ 531,488
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,186	\$ 7,212
Accrued expenses	63,185	51,385
Contributor royalties payable	25,237	22,971
Deferred revenue	137,511	139,604
Other liabilities	17,739	2,131
Total current liabilities	247,858	223,303
Deferred tax liability, net	—	77
Lease liabilities	46,042	—
Other non-current liabilities	7,084	21,441
Total liabilities	300,984	244,821
Commitment and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 200,000 shares authorized; 38,006 and 37,618 shares issued and 35,448 and 35,060 shares outstanding as of September 30, 2019 and December 31, 2018, respectively	380	376
Treasury stock, at cost; 2,558 shares as of September 30, 2019 and December 31, 2018	(100,027)	(100,027)
Additional paid-in capital	307,815	291,710
Accumulated other comprehensive loss	(8,749)	(6,471)
Retained earnings	116,834	101,079
Total stockholders' equity	316,253	286,667
Total liabilities and stockholders' equity	\$ 617,237	\$ 531,488

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

Adjusted EBITDA, adjusted net income, revenue excluding the impact of Webdam, revenue growth (including by distribution channel) on a constant currency basis, revenue growth excluding the impact of Webdam, on a constant currency basis and free cash flow are not financial measures prepared in accordance with United States generally accepted accounting principles (GAAP). Such non-GAAP financial measures should not be construed as alternatives to any other measures of performance determined in accordance with GAAP. We caution investors that non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly-titled measures presented by other companies.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 4,934	\$ 7,447	\$ 15,755	\$ 39,774
Add/(less):				
Depreciation and amortization	11,992	11,707	37,311	33,934
Non-cash equity-based compensation	5,509	5,959	17,884	17,994
Other adjustments, net ⁽¹⁾	417	485	722	8,439
(Benefit) / Provision for income taxes	(1,286)	(531)	542	9,652
Gain on Sale of Webdam	—	—	—	(38,613)
Adjusted EBITDA	<u>\$ 21,566</u>	<u>\$ 25,067</u>	<u>\$ 72,214</u>	<u>\$ 71,180</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 4,934	\$ 7,447	\$ 15,755	\$ 39,774
Add/(less):				
Non-cash equity-based compensation	5,509	5,959	17,884	17,994
Tax effect of non-cash equity-based compensation ⁽²⁾	(1,295)	(1,357)	(4,204)	(4,097)
Acquisition-related amortization expense	690	917	3,987	2,935
Tax effect of acquisition-related amortization expense ⁽²⁾	(162)	(209)	(869)	(668)
Acquisition-related long-term incentives and contingent consideration	882	702	2,668	2,439
Tax effect of acquisition-related long-term incentives and contingent consideration ⁽²⁾	(234)	(160)	(708)	(594)
Gain on Sale of Webdam	—	—	—	(38,613)
Tax effect of gain on Sale of Webdam ⁽²⁾	—	—	—	10,733
Impairment of long-term investment asset	—	—	—	5,881
Tax effect of impairment of long-term investment asset ⁽²⁾	—	118	—	(999)
Adjusted net income	<u>\$ 10,324</u>	<u>\$ 13,417</u>	<u>\$ 34,513</u>	<u>\$ 34,785</u>
Adjusted net income per diluted common share	<u>\$ 0.29</u>	<u>\$ 0.38</u>	<u>\$ 0.97</u>	<u>\$ 0.98</u>
Weighted average diluted shares	<u>35,541</u>	<u>35,570</u>	<u>35,512</u>	<u>35,420</u>

(1) Other adjustments, net includes foreign currency transaction gains and losses, impairment of a long-term investment asset, expenses related to long-term incentives and contingent consideration related to acquisitions, and interest income and expense.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Total Revenues	\$ 159,079	\$ 151,575	\$ 484,152	\$ 461,178
Less: Revenue from the Webdam business ⁽¹⁾	—	—	—	(2,711)
Revenue excluding the impact of Webdam	\$ 159,079	\$ 151,575	\$ 484,152	\$ 458,467
Revenue growth	5 %	7 %	5 %	14 %
Revenue growth on a constant currency basis	6 %	8 %	7 %	12 %
Revenue growth excluding the impact of Webdam, on a constant currency basis	6 %	11 %	7 %	14 %
E-commerce revenues	\$ 96,233	\$ 88,713	\$ 291,339	\$ 270,166
Revenue growth: e-commerce	8 %	8 %	8 %	10 %
Revenue growth: e-commerce on a constant currency basis	10 %	9 %	10 %	9 %
Enterprise revenues	\$ 62,846	\$ 62,862	\$ 192,813	\$ 188,301
Revenue growth: enterprise	0 %	14 %	2 %	26 %
Revenue growth: enterprise on a constant currency basis	1 %	15 %	4 %	24 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 30,277	\$ 30,494	\$ 77,020	\$ 68,517
Capital expenditures	(5,821)	(6,495)	(19,547)	(29,546)
Content acquisition	(619)	(1,580)	(1,896)	(2,822)
Free cash flow	\$ 23,837	\$ 22,419	\$ 55,577	\$ 36,149

(1) On February 26, 2018, the Company completed the Sale of Webdam. 2018 amounts include revenue earned during the period from January 1, 2018 through February 26, 2018.

Shutterstock, Inc.
Supplemental Financial Data
(unaudited)

Historical Operating Metrics

	Three Months Ended								
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
Number of paid downloads	46.3	46.6	47.2	46.8	43.9	45.2	43.7	43.9	41.9
Revenue per download ⁽¹⁾	\$ 3.40	\$ 3.44	\$ 3.42	\$ 3.40	\$ 3.40	\$ 3.41	\$ 3.40	\$ 3.33	\$ 3.23
Content in collection (end of period): ⁽²⁾									
Images	297	280	260	242	221	204	187	170	156
Video clips	16	15	14	13	12	11	10	9	8

Historical Revenue by Sales Channel⁽³⁾

	Three Months Ended								
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
E-Commerce	\$ 96.2	\$ 97.0	\$ 98.1	\$ 95.6	\$ 88.7	\$ 91.7	\$ 89.7	\$ 87.8	\$ 81.8
Enterprise	62.8	64.7	65.2	66.5	62.9	64.9	60.6	59.3	55.1
Other ⁽⁴⁾	—	—	—	—	—	—	2.7	4.7	4.2
Total Revenue⁽⁵⁾	\$ 159.1	\$ 161.7	\$ 163.3	\$ 162.1	\$ 151.6	\$ 156.6	\$ 153.0	\$ 151.8	\$ 141.1

(1) Revenue per download is defined as the amount of revenue recognized in a given period divided by the number of paid downloads in that period excluding revenue from custom content and the impact of revenue that is not derived from or associated with content licenses.

(2) Images (photographs, vectors and illustrations) and video clips available on shutterstock.com at the end of the period. We exclude certain content available to customers, including custom content and content that may be licensed for editorial use only.

(3) Certain amounts in the table may not foot due to rounding.

(4) On February 26, 2018, the Company completed the Sale of Webdam. This table includes revenue earned during 2017 and for the period from January 1, 2018 through February 26, 2018.

(5) Effective January 1, 2018, the Company adopted new revenue recognition accounting guidance using a modified retrospective approach. Historical revenue totals reflect those previously reported and have not been restated. Historical presentation of the allocation of the revenue by sales channel for periods prior to January 1, 2018 has been adjusted to conform to current presentation.

shutterstock

Third Quarter 2019

November 5, 2019



Forward-Looking Statements

This presentation contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on our management's beliefs and assumptions and on information currently available to management. Forward-looking statements include information concerning Shutterstock, Inc.'s (the "Company's") current expectations and guidance for the full year 2019.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "estimates," "expects," "guidance," "intends," "may," "plans," "potential," "predicts," "projects," "seeks," "should," "will," "would" or similar expressions and the negatives of those terms. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent our management's beliefs and assumptions only as of the date made, and readers are cautioned not to place undue reliance on such statements. You should read our public filings with the Securities and Exchange Commission, including the Risk Factors set forth therein, for additional information regarding factors that may cause actual results to materially differ. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

Non-GAAP Financial Measures

In addition to reporting results in accordance with United States generally accepted accounting principles (GAAP), we also refer to adjusted EBITDA, adjusted net income, revenue growth (including by distribution channel) on a constant currency basis, revenue excluding the impact of Webdam¹, adjusted EBITDA margin and free cash flow. We define adjusted EBITDA as net income adjusted for foreign currency transaction gains and losses, expenses related to long-term incentives and contingent consideration related to acquisitions, interest income and expense, income taxes, depreciation, amortization, non-cash equity-based compensation; adjusted net income as net income excluding the impact of non-cash equity-based compensation, the amortization of acquisition-related intangible assets, expense related to long-term incentives and contingent consideration related to acquisitions and the estimated tax impact of such adjustments; revenue growth (including by distribution channel) on a constant currency basis 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; revenue excluding the impact of Webdam as total Company revenue for each period presented, less the amount of revenue generated by the Webdam business during that period; adjusted EBITDA margin as the ratio of adjusted EBITDA to revenue; and free cash flow as cash provided by operating activities, adjusted for capital expenditures and content acquisition. These figures have not been calculated in accordance with GAAP and should be considered in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP results. We caution investors that non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly-titled measures presented by other companies.

We believe that adjusted EBITDA, adjusted net income, revenue excluding the impact of Webdam, revenue growth (including by distribution channel) on a constant currency basis, adjusted EBITDA margin and free cash flow are useful to investors to provide them with disclosures of our operating results on the same basis as that used by management. Additionally, we believe that adjusted EBITDA and adjusted net income 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 directly attributable to our underlying operating performance; with respect to revenue growth (including by distribution channel) on a constant currency basis, this provides useful information to investors by eliminating the effect of foreign currency fluctuations that are not directly attributable to Shutterstock's business; and with respect to revenue excluding the impact of Webdam, this provides useful information to investors by eliminating the impact of a historical revenue source that is not part of our current business and, as applicable, also provides useful information to investors by eliminating the effect of foreign currency fluctuations that are not directly attributable to our ongoing business. Additionally, we believe that providing these non-GAAP financial measures enhances the comparability for investors in assessing our financial reporting. We believe that free cash flow is useful for investors because it provides them with an important perspective on the cash available for strategic measures, after making necessary capital investments in property and equipment to support the Company's ongoing business operations and provides them with the same measures that we use as the basis for making resource allocation decisions.

We also use the non-GAAP financial measures adjusted EBITDA, adjusted net income, revenue excluding the impact of Webdam, revenue growth (including by distribution channel) on a constant currency basis, adjusted EBITDA margin and free cash flow, in conjunction with GAAP financial measures, as an integral part of managing the business and to: (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.

Please refer to the reconciliation of the differences between adjusted EBITDA, adjusted net income, revenue excluding the impact of Webdam and free cash flow, and the most comparable financial measures calculated and presented in accordance with GAAP, is presented under the heading "Reconciliation of Non-GAAP Financial Information to GAAP" immediately following the Consolidated Balance Sheets in today's earnings release, which is available in the Investor Relations section of our website. We do not provide a reconciliation of adjusted EBITDA guidance to net income guidance, as the impact of net operating foreign currency exchange gains or losses which are excluded from adjusted EBITDA is inherently uncertain and difficult to estimate and is unavailable without unreasonable efforts. In addition, we believe such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

¹ - On February 26, 2018, the Company completed the sale of Webdam ("Sale of Webdam").

Third Quarter 2019 Financial Highlights

Compared to Third Quarter 2018:

- Revenue increased 5% to \$159.1 million.
 - Revenue growth on a constant currency basis was approximately 6%.
- Income from operations decreased 52% to \$3.2 million.
- Net income decreased 34% to \$4.9 million.
- Adjusted net income decreased 23% to \$10.3 million.
- Adjusted EBITDA decreased 14% to \$21.6 million.
- Cash provided by operating activities of \$30.3 million.
- Free cash flow was \$23.8 million in 2019 compared to \$22.4 million in 2018.

Third Quarter 2019 Operating Highlights

Compared to Third Quarter 2018:

- Paid downloads of 46.3 million, up 5%.
- Image library expanded to approximately 297 million images, up 34%.
- Video library expanded to approximately 16 million video clips, up 33%.
- More than 1 million contributors made their images, video clips and music tracks available on Shutterstock's platform, compared to over 550,000 last year.
- More than 1.9 million customers contributed to revenue over the past 12 months, an increase of 2% from the 12 months ended September 30, 2018.

Historical Revenue Detail by Sales Channel

(\$ in millions)

	2019				2018			2017	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
E-commerce	\$ 96.2	\$ 97.0	\$ 98.1	\$ 95.6	\$ 88.7	\$ 91.7	\$ 89.7	\$ 87.8	\$ 81.1
Enterprise	62.8	64.7	65.2	66.5	62.9	64.9	60.6	59.3	55.1
Other ⁽¹⁾	—	—	—	—	—	—	2.7	4.7	4.1
Total Revenue ⁽²⁾	\$ 159.1	\$ 161.7	\$ 163.3	\$ 162.1	\$ 151.6	\$ 156.6	\$ 153.0	\$ 151.8	\$ 141.1
Less: Webdam Revenue	—	—	—	—	—	—	(2.7)	(4.7)	(4.1)
Revenue excluding impact of Webdam	\$ 159.1	\$ 161.7	\$ 163.3	\$ 162.1	\$ 151.6	\$ 156.6	\$ 150.3	\$ 147.1	\$ 136.9

(1) On February 26, 2018, the Company completed the Sale of Webdam. 2018 and 2017 amounts represent Webdam revenue prior to the sale.

(2) Effective January 1, 2018, the Company adopted new revenue recognition accounting guidance using a modified retrospective approach. Historical revenue totals reflect those previously reported and have not been restated. Historical presentation of the allocation of the revenue by sales channel for periods prior to January 1, 2018 has been adjusted to conform to current presentation.

Note: Totals may not sum exactly due to rounding.

Consolidated Quarterly Financial Results

(\$ in millions)

	Three Months Ended September 30,		
	2019	2018	% Change Inc. / (Dec.)
Total Revenues	\$ 159.1	\$ 151.6	5 %
Cost of revenue	68.6	66.5	3 %
Sales and marketing	45.6	41.0	11 %
Product development	13.5	14.0	(4)%
General and administrative	28.1	23.4	20 %
Total operating expenses	155.9	144.9	8 %
Income from operations	3.2	6.7	(52)%
Other income, net	0.5	0.2	114 %
Income before income taxes	3.6	6.9	(47)%
Benefit for Income Taxes	(1.3)	(0.5)	NM
Net Income	\$ 4.9	\$ 7.4	(34)%
Plus: Depreciation & Amortization	12.0	11.7	(3)%
Plus: Non-Cash Equity-Based Compensation	5.5	6.0	8 %
Plus: Other Adjustments, net ⁽¹⁾	0.4	0.5	(20)%
Plus: Benefit for Income Taxes	(1.3)	(0.5)	NM
Adjusted EBITDA	\$ 21.6	\$ 25.1	(14)%
Adjusted EBITDA Margin	13.6%	16.5%	

(1) Other adjustments, net includes foreign currency transaction gains and losses, expenses related to long-term incentives and contingent consideration related to acquisitions, and interest income and expense.

Note: Totals may not sum exactly due to rounding.

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Depreciation and Amortization

Depreciation and amortization expense is included within the Statement of Operations, as follows:

(\$ in millions)

	Three Months Ended September 30,		
	2019	2018	% Change Fav / (Unfav)
Cost of revenue	\$ 10.1	\$ 9.2	(10)%
General and administrative	1.9	2.5	24 %
Total depreciation and amortization	12.0	11.7	(3)%

Free Cash Flow

(\$ in millions)

	Three Months Ended September 30,	
	2019	2018
Net Cash From Operations	\$ 30.3	\$ 30.
Less: Capital Expenditures	(5.8)	(6.
Less: Content Acquisitions	(0.6)	(1.
Free Cash Flow	<u>\$ 23.8</u>	<u>\$ 22.</u>

Note: Totals may not sum exactly due to rounding.

Adjusted Net Income

(in millions, except per share data)

	Three Months Ended September 30,	
	2019	2018
Net Income	\$ 4.9	\$ 7.4
Add / (Less):		
Non-Cash Equity-Based Compensation	5.5	6.0
Acquisition-Related Amortization	0.7	0.9
Acquisition-Related Long-Term Incentives and Contingent Consideration	0.9	0.7
Tax Effect of Adjustments ¹	(1.7)	(1.6)
Adjusted Net Income	<u>\$ 10.3</u>	<u>\$ 13.4</u>
Diluted Shares Outstanding	35.5	35.6
Adjusted Net Income per Diluted Share	\$ 0.29	\$ 0.38

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

Note: Totals may not sum exactly due to rounding.

2019 Guidance

The Company's current expectations for the full year 2019 remain unchanged and are as follows:

	<u>2019 Guidance</u>
Revenue <i>YOY Growth vs. 2018</i>	\$645 - \$670 million <i>3.5% to 7.5%</i>
Adjusted EBITDA <i>YOY Growth vs. 2018</i>	\$93 - \$107 million <i>-11.5% to 1.8%</i>
Income from Operations	\$18 - \$32 million
Non-Cash Equity Based Comp.	\$25 million
Capital Expenditures	\$32 million
Effective Tax Rate	Teens %



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