

**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): **August 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 August 6, 2019, Shutterstock, Inc. (the "Company") issued a press release announcing its financial results for the fiscal period ended June 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, August 6, 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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Employment Agreement

As previously announced by Shutterstock, Inc. (the "Company"), on June 25, 2019, the Board of Directors of the Company (the "Board") appointed Steven Ciardiello, the Company's Chief Accounting Officer, to the position of Interim Chief Financial Officer. In connection with such appointment, on August 5, 2019, the Company entered into an employment agreement with Mr. Ciardiello, which supersedes the offer letter between Mr. Ciardiello and the Company, dated November 15, 2016.

Pursuant to Mr. Ciardiello's employment agreement, Mr. Ciardiello will be entitled to an annual base salary of \$375,000 and an annual cash bonus target of 50% of his base salary, based on the achievement of individual and company performance-based objectives established by the Compensation Committee of the Board (the "Compensation Committee") in connection with the Company's short-term incentive compensation plan and pro-rated for his initial year of service. In addition, in light of Mr. Ciardiello's services to the Company as Interim Chief Financial Officer, Mr. Ciardiello will be guaranteed a one-time bonus payment in the amount of \$200,000, less all required tax withholdings and other applicable deductions (the "Guaranteed Bonus"), to be paid on or around March 15, 2020. Mr. Ciardiello also continues to be eligible to participate in employee benefit plans, policies, programs and arrangements provided generally to similarly situated employees of the Company and will receive reimbursement of all reasonable business expenses in accordance with Company policies relating to such expenses.

If the Company terminates Mr. Ciardiello's employment with the Company without "cause" (other than due to his death or "disability") at any time other than during the twelve-month period immediately following a "change of control", subject to his execution of an acceptable release and compliance with the covenants described below, Mr. Ciardiello will receive the following severance benefits from the Company:

- severance in an amount equal to six (6) months of his base salary, which will be paid in accordance with the Company's regular payroll procedures;
- a lump sum payment of a pro-rata bonus based on actual performance for the year in which the termination of employment occurs based on the number of days worked relative to 365 days;
- if Mr. Ciardiello's termination date is on or prior to March 15, 2020, a lump-sum payment in an amount equal to the Guaranteed Bonus;
- reimbursement for premiums paid for coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), for Mr. Ciardiello and his eligible dependents for up to six (6) months;
- if Mr. Ciardiello's termination date is at least 12 months following the effective date of his employment, accelerated vesting of 50% of the then-unvested portion of all his outstanding equity awards as if he had remained employed for 12 months following his termination of employment;

- all accrued but unpaid expense reimbursements, wages, and other benefits due to Mr. Ciardiello under any Company-provided plans, policies and arrangements; and
- such other compensation or benefits as may be required by law.

If the Company terminates Mr. Ciardiello's employment with the Company without "cause" (other than due to Mr. Ciardiello's death or "disability") or Mr. Ciardiello resigns for "good reason" during the twelve-month period immediately following a "change of control", subject to his execution of an acceptable release and compliance with the covenants described below, Mr. Ciardiello will receive the severance benefits set forth above, except as follows:

- single lump sum payment of severance in an amount equal to six (6) months of his then current base salary;
- lump sum severance payment equal to 100% of his full target bonus for the fiscal year in effect at the date of termination of employment;
- Mr. Ciardiello shall not be eligible for the Guaranteed Bonus; and
- accelerated vesting of 50% of the then-unvested portion of all his outstanding equity awards as if he had remained employed for 12 months following his termination of employment.

Mr. Ciardiello is also subject to the Company's Confidentiality, Non-Disclosure, Inventions, Non-Solicitation and Non-Competition Agreement, which contains customary confidentiality, non-competition, and non-solicitation of employees or customers provisions. Under the agreement, Mr. Ciardiello cannot compete with the Company for a 12-month period after termination. The non-solicitation covenant also extends for 12 months after termination.

The foregoing description of Mr. Ciardiello's employment agreement does not purport to be complete and is qualified in its entirety by reference to the complete text thereof, a copy of which is filed as Exhibit 10.1 to this Form 8-K and incorporated by reference into this Item 5.02.

(d) Election of Director

On August 5, 2019, the Board, based on the recommendation of the Nominating and Corporate Governance Committee (the "NCG Committee") of the Board, appointed Rachna Bhasin as a Class I director of the Company with a term expiring at the Company's 2022 annual meeting of stockholders. In addition, and based on the recommendation of the NCG Committee, the Board appointed Ms. Bhasin to serve as a member of the Compensation Committee.

Ms. Bhasin is the Founder/CEO of EQ Partners, a strategic advisory, consulting and investment company serving early stage United States and European companies in the areas of technology and media, and Co-Founder of Pacifica Investments, an advisory, consultancy and investment firm focused on identifying and amplifying technologies, brands and entrepreneurs from New Zealand and the Pacific Rim. Ms. Bhasin was Chief Business Officer of Magic Leap, Inc., a spatial computing company, from October 2015 through January 2019 and prior to that, served as SVP, Corporate Strategy and Business Development at Sirius XM Radio, Inc. from November 2010 through October 2015. Ms. Bhasin has also held positions at Dell, Inc., where she led the company's consumer strategic partnership and personalization, and at EMI Music North America as Vice President of Business Development. Since March 2016, Ms. Bhasin has also served on the board of Ryman Hospitality Properties (NYSE: RHP), a hotel, resort, entertainment and media company, where she is a member of the Nominating and Corporate Governance Committee. Ms. Bhasin holds a Bachelor of Commerce and Administration with Honors from the Victoria University of Wellington in New Zealand and an M.B.A. from Harvard Business School.

In connection with her election to the Board, on August 5, 2019, Ms. Bhasin was awarded a restricted stock unit grant under the Company's 2012 Omnibus Equity Incentive Plan covering 3,539 shares of the Company's common stock, such award to vest on the earlier of (i) the one year anniversary of the date of grant and (ii) the date immediately preceding the date of the Company's 2020 annual meeting of stockholders, subject to Ms. Bhasin's continued service through that date. Ms. Bhasin will also be entitled to receive the following compensation for her service on each of the Board and the Compensation Committee:

- an annual cash retainer of \$50,000 for her service on the Board and \$5,000 for her service on the Compensation Committee, each payable quarterly in arrears, subject to Ms. Bhasin's continued service on the first day of the applicable quarter;

- an annual restricted stock unit award with a cash value of \$150,000 to be granted on the date of each annual meeting of the Company's stockholders, which shall vest on the earlier of the one-year anniversary of the date of grant and the date immediately preceding the date of the next annual meeting of the Company's stockholders, subject in each case to Ms. Bhasin's continued service through the vesting date.

All of Ms. Bhasin's equity awards received for her service on the Board will vest in full immediately prior to, and contingent upon, a change of control of the Company.

In addition, Ms. Bhasin and the Company will enter into an indemnification agreement, the form of which is attached as an exhibit to Amendment No. 3 to the Company's Registration Statement on Form S-1, as amended (File No. 333-181376), filed with the SEC on August 30, 2012. There are no understandings or arrangements between Ms. Bhasin and any other person pursuant to which Ms. Bhasin was selected as a director. There are no transactions in which Ms. Bhasin has an interest requiring disclosure under Item 404(a) of Regulation S-K.

A copy of the press release announcing Ms. Bhasin's election to the Board is filed as Exhibit 99.3 and incorporated herein by reference.

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 August 6, 2019
- 99.2 Presentation slides referenced on the earnings call held by Shutterstock, Inc. on August 6, 2019
- 99.3 Press release dated August 6, 2019
- 10.1 Employment Agreement, dated August 5, 2019, by and between Steven Ciardiello and Shutterstock, Inc.
- 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 August 6, 2019 |
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| 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: August 6, 2019

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

SHUTTERSTOCK, INC.
Empire State Building
350 Fifth Avenue, 21st Floor
New York, NY 10118

Steven Ciardiello
XXXXXXXXXX
XXXXXXXXXX

Re: **EMPLOYMENT AGREEMENT**

Dear Steve:

This Employment Agreement (the "***Agreement***") between you (referred to hereinafter as the "***Executive***") and Shutterstock, Inc., a Delaware corporation, including all direct and indirect subsidiaries and affiliated entities (collectively, the "***Company***") sets forth the terms and conditions that shall govern the period of your employment with the Company (referred to hereinafter as "***Employment***" or the "***Employment Period***"). This Agreement supersedes the Offer Letter between you and the Company, dated November 15, 2016 (the "***Offer Letter***").

1. **Duties and Scope of Employment.**

(a) **At-Will Employment.** Executive commenced full-time Employment with the Company effective as of November 14, 2016 (the "***Effective Start Date***") and the terms of such Employment were governed by the Offer Letter through the effective date of this Agreement and will be governed by this Agreement following the effective date of this Agreement, which shall be the latest date that this Agreement is fully signed by the parties. Executive's Employment with the Company is for no specified period and constitutes "at will" employment. As a result, Executive is free to terminate Employment at any time, with or without advance notice, and for any reason or for no reason. Similarly, the Company is free to terminate Executive's Employment at any time, with or without advance notice, and with or without Cause (as defined below). Furthermore, although terms and conditions of Executive's Employment with the Company may change over time, nothing shall change the at-will nature of Executive's Employment.

(b) **Position and Responsibilities.** During the Employment Period, the Company agrees to employ Executive in the position of Chief Accounting Officer. Executive will report to the Chief Executive Officer, or to such other person as the Company subsequently may determine (your "***Supervisor***"), and Executive will be working out of the Company's office in New York City, New York. Executive will perform the duties and responsibilities and authority customarily performed and held by an employee in Executive's position or as otherwise may be assigned or delegated to Executive by Executive's Supervisor, including but not limited to duties and responsibilities of an interim Chief Financial Officer.

(c) **Obligations to the Company.** During the Employment Period, Executive shall perform Executive's duties faithfully and to the best of Executive's ability and will devote

Executive's full business efforts and time to the Company. Notwithstanding the foregoing, Executive will be permitted to (a) with the prior written approval of Executive's Supervisor (which approval shall not be unreasonably withheld), act or serve as a director, trustee, or committee member of any non-profit, civic, or charitable organization, as long as such activities are disclosed in writing to the Company's General Counsel in accordance with the Company's policies and rules, with a copy of such notice to the Board of Directors, (b) purchase or own less than five percent (5%) of the publicly traded securities of any corporation; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation; and (c) deliver lectures, fulfill speaking engagements, teach at educational institution or manage personal investments; provided that such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement or create a potential business or fiduciary conflict. Executive may serve on the board of directors of unaffiliated companies that are not competitive with the business of the Company to the extent such service or participation does not interfere with Executive's employment or duties under this Agreement and that Executive has advised Executive's Supervisor and the Board at least thirty (30) days prior to commencing service, and the Executive's Supervisor and the Board have consented (which consent shall not be unreasonably withheld) to, such additional corporate board service. Executive shall comply with the Company's policies and rules, as they may be in effect from time to time during Executive's Employment.

(d) **Confidentiality.** All information learned or developed by the Executive during the course of the Executive's employment by the Company or any subsidiary thereof will be deemed "Confidential Information" under the terms of this Agreement. The Executive will not disclose to any person at any time or use in any way, except as directed by the Company, either during or after the employment of the Executive by the Company, any Confidential Information. The foregoing restrictions shall not apply to information which is or becomes part of the public domain through no act or failure to act by the Executive. In addition to the foregoing, in the process of the Executive's employment with the Company, or thereafter, under no condition is the Executive to use or disclose to the Company, or incorporate or use in any of Executive's work for the Company, any confidential information imparted to the Executive or with which Executive may have come into contact while in the employ of Executive's former employer(s).

(i) Pursuant to 18 U.S.C. § 1833(b), Executive acknowledges that Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret if he/she (i) makes such disclosure in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and such disclosure is made solely for the purpose of reporting or investigating a suspected violation of law; or (ii) such disclosure was made in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal. Executive understands that if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and use the trade secret information in the court proceeding if Executive (x) files any document containing the trade secret under seal, and (y) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement, or any other agreement that Executive has with the Company, is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Further, nothing in this

Agreement or any other agreement that Executive has with the Company shall prohibit or restrict Executive from making any voluntary disclosure of information or documents concerning possible violations of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

2. **Cash and Incentive Compensation.**

(a) **Base Salary.** The Company shall pay Executive, as compensation for Executive's services, a base salary at a gross annual rate of \$375,000, less all required tax withholdings and other applicable deductions, in accordance with the Company's standard payroll procedures. Executive's Base Salary will be subject to review and adjustments by the Compensation Committee of the Board (the "**Committee**"), in its sole discretion, upon recommendation of Executive's Supervisor and in connection with the Company's normal performance review process. The annual compensation specified in this subsection (a), together with any modifications to such compensation made from time to time, is referred to in this Agreement as the "**Base Salary**."

(b) **Cash Incentive Bonus.** Executive will be eligible to earn an annual cash incentive bonus (the "**Cash Bonus**"), less all required tax withholdings and other applicable deductions, each calendar year during the Employment Period based upon the achievement of objective or subjective criteria (collectively, the "**Performance Goals**") established by the Company in connection with the Company's annual short term incentive compensation plan and approved by the Company's Board of Directors (the "**Board**"), any Compensation Committee of the Board (the "**Committee**"), or a delegate of either the Board or the Committee (the "**Delegate**"), as applicable in its sole discretion. The initial target amount for any such Cash Bonus will be 50% of Executive's Base Salary (the "**Target Bonus Percentage**"). Executive's Target Bonus Percentage for any subsequent year may be adjusted, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable. Executive shall not earn a Cash Bonus unless Executive is employed by the Company on the date when such Cash Bonus is actually paid by the Company.

(c) **Guaranteed Bonus.** In addition to any Cash Bonus payable for the fiscal year ending December 31, 2019, in light of Executive's services to the Company as Interim Chief Financial Officer, Executive shall be guaranteed a one-time bonus payment of \$200,000, less all required tax withholdings and other applicable deductions (the "**Guaranteed Bonus**"), to be paid on or around March 15, 2020. Executive shall not earn the Guaranteed Bonus unless Executive is employed by the Company on the date when such Guaranteed Bonus is actually paid by the Company.

3. **Recoupment.** The incentive compensation payable to Executive pursuant to this Agreement shall be subject to reduction, cancellation, forfeiture or recoupment as and to the extent required by the applicable provisions of any law (including without limitation Section 10D of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder), government regulation or stock exchange listing requirement, or clawback policy or provision implemented by the Company pursuant to such law, regulation or listing requirement from time to time.

4. **Employee Benefits.** During the Employment Period, Executive shall be eligible to participate in the employee benefit plans maintained by the Company and generally available to

similarly situated employees of the Company, subject in each case to the generally applicable terms and conditions of the plan in question and to the determinations of any person or committee administering such employee benefit plan. The Company reserves the right to cancel or change the employee benefit plans and programs it offers to its employees at any time.

5. **Business Expenses.** The Company will reimburse Executive for necessary and reasonable business expenses incurred in connection with Executive's duties hereunder. In order to receive any such reimbursement, the Executive must comply with generally applicable policies, practices and procedures of the Company with respect to reimbursement for, and submission of expense reports, receipts or similar documentation of, such expenses.

6. **Rights Upon Termination.** Except as expressly provided in Section 7, upon the termination of Executive's Employment for any reason, Executive shall only be entitled to (i) the benefits accrued or earned in accordance with any applicable Company-provided plans, policies, and arrangements for the period immediately preceding the effective date of the termination of Employment and (ii) such other compensation or benefits from the Company as may be required by law (collectively, the "***Accrued Benefits***").

7. **Termination Benefits.**

(a) **Termination without Cause not in Connection with a Change in Control.** If the Company terminates Executive's employment with the Company for a reason other than for Cause, Executive becoming Disabled or Executive's death at any time other than during the twelve (12)-month period immediately following a Change in Control, then, subject to Section 8, Executive will receive the following severance benefits from the Company:

(i) **Accrued Compensation.** The Company will pay Executive all Accrued Benefits.

(ii) **Severance Payment.** Commencing on the sixtieth day after the date of the Executive's termination of employment, the Company shall continue to pay the Executive the Executive's Base Salary, at the rate in effect immediately prior to such termination of employment, for the Severance Period, less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company's regular payroll procedures; provided, however, that any such salary otherwise payable during the 60-day period immediately following the date of such termination of employment shall be paid to the Executive sixty days following such termination of employment.

(iii) **Continued Employee Benefits.** If Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***") for Executive and Executive's eligible dependents, within the time period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination or resignation) until the earlier of (A) the end of the Severance Period, or (B) the date upon which Executive and/or Executive's eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive consistent with the Company's normal

expense reimbursement policy and will be taxable to the extent required to avoid adverse consequences to Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010.

(iv) Equity. If the Executive's termination date is at least twelve (12) months following the Effective Start Date, fifty percent (50%) of Executive's unvested and outstanding equity awards that would have become vested had Executive remained in the employ of the Company for the twelve (12)-month period following Executive's termination of employment shall immediately vest and become exercisable as of the date of Executive's termination.

(v) Pro-Rated Bonus Payment. Executive will receive a pro-rated annual bonus for the fiscal year in which Executive terminates employment equal to (x) the annual bonus that Executive would have received based on actual performance for such fiscal year and in connection with the Company's annual short term incentive compensation plan if Executive had remained in the employ of the Company for the entire fiscal year, if any, *multiplied by* (y) a fraction, the numerator of which is the number of days Executive was in the employ of the Company during the fiscal year including the Termination Date and the denominator of which is 365 (the "**Pro-Rated Bonus**"). The Pro-Rated Bonus, if any, shall be paid at the same time annual bonuses are paid by the Company to other executives of the Company for the fiscal year in which Executive terminated employment, but no later than March 15th of the calendar year following the calendar year in which Executive terminated employment.

(vi) Guaranteed Bonus Payment. To the extent Executive is terminated pursuant to this Section 7(a) on or prior to March 15, 2020, Executive shall receive a lump-sum payment in an amount equal to the Guaranteed Bonus, less all required tax withholdings and other applicable deductions, which will be paid sixty days following such termination of employment.

(b) Termination without Cause or Resignation for Good Reason in Connection with a Change in Control. If at the same time of, or during the twelve (12)-month period immediately following a Change in Control, (x) the Company terminates Executive's employment with the Company for a reason other than for Cause, Executive becoming Disabled or Executive's death, or (y) Executive resigns for Good Reason, then, subject to Section 8, Executive will receive the following severance benefits from the Company in lieu of the benefits described in Section 7(a) above:

(i) Accrued Compensation. The Company will pay Executive all Accrued Benefits.

(ii) Severance Payment. Executive will receive a lump sum severance payment equal to six (6) months' of Executive's Base Salary, at the rate in effect immediately prior to such termination of employment, less all required tax withholdings and other applicable deductions, which will be paid sixty days following such termination of employment.

(iii) Continued Employee Benefits. If Executive elects continuation coverage pursuant to COBRA for Executive and Executive's eligible dependents, within the time

period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination or resignation) until the earlier of (A) a period of six (6) months from the last date of employment of Executive with the Company, or (B) the date upon which Executive and/or Executive's eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive consistent with the Company's normal expense reimbursement policy and will be taxable to the extent required to avoid adverse consequences to Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010.

(iv) **Equity.** 50% of Executive's unvested and outstanding equity awards that would have become vested had Executive remained in the employ of the Company for the twelve (12) month period following Executive's termination of employment shall immediately vest and become exercisable as of the date of Executive's termination.

(v) **Target Bonus Payment.** Executive will receive a lump sum severance payment equal to one hundred percent (100%) of Executive's full target bonus amount for the fiscal year in effect at the date of such termination of employment (or, if greater, as in effect for the fiscal year in which the Change in Control occurs), less all required tax withholdings and other applicable deductions.

(c) **Disability; Death; Voluntary Resignation; Termination for Cause.** If Executive's employment with the Company is terminated due to (i) Executive becoming Disabled or Executive's death, (ii) Executive's voluntary resignation (other than for Good Reason at the time of or during the twelve (12) month period immediately following a Change of Control), or (iii) the Company's termination of Executive's employment with the Company for Cause, then Executive or Executive's estate (as the case may be) will receive the Accrued Benefits, but will not be entitled to any other compensation or benefits from the Company except to the extent required by law (for example, COBRA). All Accrued Benefits shall in all cases be paid within thirty (30) days of Executive's termination of employment (or such earlier date as required by applicable law) pursuant to this Section 7(c).

(d) **Exclusive Remedy.** In the event of a termination of Executive's employment with the Company, the provisions of this Section 7 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, whether at law, tort or contract, in equity, or under this Agreement (other than the payment of accrued but unpaid wages, as required by law, and any unreimbursed reimbursable expenses). Executive will be entitled to no other severance, benefits, compensation or other payments or rights upon a termination of employment, including, without limitation, any severance payments and/or benefits provided in the Employment Agreement, other than those benefits expressly set forth in Section 7 of this Agreement or pursuant to written equity award agreements with the Company.

(e) **No Duty to Mitigate.** Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any earnings that Executive may receive from any other source reduce any such payment.

8. **Conditions to Receipt of Severance.**

(a) **Release of Claims Agreement**. The receipt of any severance payments or benefits pursuant to Section 7 of this Agreement, other than, for the avoidance of doubt, the Accrued Benefits, is subject to Executive signing and not revoking a separation agreement and release of claims in a form acceptable to the Company (the "**Release**"), which must become effective no later than the sixtieth (60th) day following Executive's termination of employment (the "**Release Deadline**"), and if not, Executive will forfeit any right to severance payments or benefits under this Agreement. To become effective, the Release must be executed by Executive and any revocation periods (as required by statute, regulation, or otherwise) must have expired without Executive having revoked the Release. In addition, in no event will severance payments or benefits be paid or provided until the Release actually becomes effective. If the termination of employment occurs at a time during the calendar year where the Release Deadline could occur in the calendar year following the calendar year in which Executive's termination of employment occurs, then any severance payments or benefits under this Agreement that would be considered Deferred Payments (as defined in Section 8(c)(i)) will be paid on the first payroll date to occur during the calendar year following the calendar year in which such termination occurs, or such later time as required by (i) the payment schedule applicable to each payment or benefit as set forth in Section 7, (ii) the date the Release becomes effective, or (iii) Section 8(c)(ii); provided that the first payment shall include all amounts that would have been paid to Executive if payment had commenced on the date of Executive's termination of employment.

(b) **Non-Disclosure Agreement**. As a condition to employment and to Executive's receipt of any payments or benefits under Section 7 will be subject to Executive's continued compliance with the requirements set for in the Non-Disclosure Agreement (as defined in Section 11(a) below).

(c) **Section 409A.**

(i) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation not exempt under Section 409A (together, the "**Deferred Payments**") will be paid or otherwise provided until Executive has a "separation from service" within the meaning of Section 409A. For purposes of this Agreement, any reference to "termination of employment," "termination" or any similar term shall be construed to mean a "separation from service" within the meaning of Section 409A. Similarly, no severance payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has a "separation from service" within the meaning of Section 409A.

(ii) Notwithstanding anything to the contrary in this Agreement, if Executive is a "**specified employee**" within the meaning of Section 409A at the time of Executive's termination of employment (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following Executive's separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day

following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but prior to the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment, installment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(iii) Without limitation, any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations is not intended to constitute Deferred Payments for purposes of clause (i) above.

(iv) Without limitation, any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit is not intended to constitute Deferred Payments for purposes of clause (i) above. Any payment intended to qualify under this exemption must be made within the allowable time period specified in Section 1.409A-1(b)(9)(iii) of the Treasury Regulations.

(v) To the extent that reimbursements or in-kind benefits under this Agreement constitute non-exempt "nonqualified deferred compensation" for purposes of Section 409A, (1) all reimbursements hereunder shall be made on or prior to the last day of the calendar year following the calendar year in which the expense was incurred by Executive, (2) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (3) the amount of expenses eligible for reimbursement or in-kind benefits provided in any calendar year shall not in any way affect the expenses eligible for reimbursement or in-kind benefits to be provided, in any other calendar year.

(vi) The payments and benefits provided under Sections 7(a) and 7(b) are intended to be exempt from or comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions that are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

9. **Cooperation.** Following the Employment Period, regardless of the reason for the termination of Executive's Employment, the Executive shall give the Executive's assistance and cooperation willingly, upon reasonable advance notice, in any matter relating to the Executive's position with the Company, or the Executive's expertise or experience as the Company may reasonably request, including but not limited to the Executive's assistance in transitioning the Executive's duties and responsibilities, the Executive's provision of information regarding any

Company matters relevant to the Executive's role, and the Executive's attendance and truthful testimony where deemed appropriate by the Company, with respect to any investigation or the Company's defense or prosecution of any existing or future claims or litigations or other proceedings relating to matters in which the Executive was involved or potentially had knowledge by virtue of the Executive's employment with the Company. When making a request for assistance and/or cooperation in accordance with this Section 9, the Company shall make reasonable efforts to give due consideration to the Executive's other business or personal commitments and to not materially interfere with the Executive's services to a subsequent employer.

10. **Definition of Terms.** The following terms referred to in this Agreement will have the following meanings:

(a) **Cause.** "Cause" means:

(i) Executive's gross negligence or willful misconduct in the performance of his or her duties and responsibilities to the Company or Executive's violation of any written Company policy;

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

(iii) Executive's conviction of, or pleading guilty or nolo contendere to, any felony or a lesser crime involving dishonesty or moral turpitude;

(iv) Executive's alcohol abuse or other substance abuse;

(v) Executive's unauthorized use or disclosure of any proprietary information or trade secrets (other than as explicitly set forth in this Agreement) of the Company or any other party to whom Executive owes an obligation of nondisclosure as a result of his or her relationship with the Company; or

(vi) Executive's material breach of any of his or her obligations under any written agreement or covenant with the Company.

(b) **Change in Control.** "Change in Control" shall have the meaning ascribed to such term in the Company's Amended and Restated 2012 Omnibus Equity Incentive Plan, provided that any such event constitutes a "change in control event" under Treasury Regulation Section 1.409A-3(i)(5)(i).

(c) **Code.** "Code" means the Internal Revenue Code of 1986, as amended.

(d) **Disability.** "Disability" or "Disabled" means that Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than one (1) year.

(e) **Good Reason.** “Good Reason” means the occurrence, without Executive’s consent, of one or more of the following:

(i) A material reduction in Executive’s duties, authorities or responsibilities, relative to Executive’s duties, authorities or responsibilities in effect immediately prior to such reduction; provided, however, that not being named (A) permanent Chief Financial Officer of the Company following the period during which Executive serves as interim Chief Financial Officer or (B) Chief Accounting Officer of the acquiring corporation following a Change in Control of the Company will not constitute Good Reason;

(ii) A material reduction in Executive’s base compensation (except where there is a reduction applicable to all similarly situated executive officers generally); provided, that a reduction of less than ten percent (10%) will not be considered a material reduction in base compensation;

(iii) A material change in the geographic location of Executive’s primary work facility or location; provided, that a relocation of less than thirty-five (35) miles from Executive’s then-present work location will not be considered a material change in geographic location; or

(iv) A material breach by the Company of a material provision of this Agreement;

in each case, only if Executive provides notice to the Company of the existence of the applicable condition described in Section 10(e), specifically identifying the acts or omissions, within thirty (30) days of the Executive’s knowledge of the initial existence of the condition, the Company fails to remedy the condition within thirty (30) days thereafter, **and** within the (30) day period immediately following such failure to remedy, you elect to terminate your Employment.

(f) **Section 409A.** “Section 409A” means Code Section 409A, and the final regulations and any guidance promulgated thereunder or any state law equivalent.

(g) **Section 409A Limit.** “Section 409A Limit” will mean two (2) times the lesser of: (i) Executive’s annualized compensation based upon the annual rate of pay paid to Executive during Executive’s taxable year preceding Executive’s taxable year of his or her separation from service as determined under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Internal Revenue Code for the year in which Executive’s separation from service occurred.

(h) **Severance Period.** “Severance Period” shall mean six (6) months.

11. **Pre-Employment Conditions.**

(a) **Non-Disclosure Agreement.** Executive’s acceptance of this offer and Employment with the Company is contingent upon the execution, and delivery to an officer of the

Company, of the Company's non-disclosure agreement (the "**Non-Disclosure Agreement**"), prior to or on Executive's Effective Start Date.

(b) **Right to Work.** For purposes of federal immigration law, you will be required, if you have not already, to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of the Effective Start Date, or our Employment relationship with you may be terminated.

(c) **Verification of Information.** This Agreement is also contingent upon the successful verification of the information you provided to the Company during your application process, as well as a general background check performed by the Company to confirm your suitability for Employment. By accepting this Agreement, you warrant that all information provided by you is true and correct to the best of your knowledge, you agree to execute any and all documentation necessary for the Company to conduct a background check and you expressly release the Company from any claim or cause of action arising out of the Company's verification of such information.

12. **Arbitration.**

(a) **Arbitration.** In consideration of your Employment with the Company, its promise to arbitrate all employment-related disputes, and your receipt of any compensation, pay raises and other benefits paid to you by the Company, at present and in the future, you agree that any and all controversies, claims, or disputes with anyone (including the Company and any employee, officer, director, shareholder or benefit plan of the Company in their capacity as such or otherwise) arising out of, relating to, or resulting from your Employment with the Company or termination thereof, including any breach of this Agreement, will be subject to binding arbitration.

(b) **Dispute Resolution.** Disputes that Executive agrees to arbitrate, and thereby agrees to waive any right to a jury trial, include any statutory claims under local, state, or federal law, including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Sarbanes Oxley Act, the Worker Adjustment and Retraining Notification Act, the New York State Human Rights Law, New York Equal Rights Law, New York Whistleblower Protection Law, New York Family Leave Law, New York Equal Pay Law, the New York City Human Rights Law, claims of harassment, discrimination, and wrongful termination, and any statutory or common law claims. Executive further understands that this agreement to arbitrate also applies to any disputes that the Company may have with Executive.

(c) **Procedure.** Executive agrees that any arbitration will be administered by Judicial Arbitration & Mediation Services, Inc. ("**JAMS**"), pursuant to its Employment Arbitration Rules & Procedures (the "**JAMS Rules**"). The arbitrator shall have the power to determine the scope of any necessary discovery and to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication, motions to dismiss and demurrers, prior to any arbitration hearing. The arbitrator shall have the power to award any remedies available under applicable law, and the arbitrator shall award attorneys' fees and costs to the prevailing party,

except as prohibited by law. The Company will pay for any administrative or hearing fees charged by the administrator or JAMS, and all arbitrator's fees, except that Executive shall pay any filing fees associated with any arbitration that Executive initiates, but only so much of the filing fee as Executive would have instead paid had Executive filed a complaint in a court of law. Executive agrees that the arbitrator shall apply substantive New York law to any dispute or claim, without reference to the rules of conflict of law. The decision of the arbitrator shall be in writing. Any arbitration under this Agreement shall be conducted in New York County, New York.

(d) **Remedy.** Except as provided by the Act, arbitration shall be the sole, exclusive, and final remedy for any dispute between you and the Company. **Accordingly, except as provided by the Act and this Agreement, neither you nor the Company will be permitted to pursue court action regarding claims that are subject to arbitration.** Notwithstanding, the arbitrator will not have the authority to disregard or refuse to enforce any lawful Company policy, and the arbitrator will not order or require the Company to adopt a policy not otherwise required by law that the Company has not adopted.

(e) **Administrative Relief.** You are not prohibited from pursuing an administrative claim with a local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, including, but not limited to, the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission, the National Labor Relations Board, or the Workers' Compensation Board. However, you may not pursue court action regarding any such claim, except as permitted by law.

(f) **Voluntary Nature of Agreement.** You acknowledge and agree that you are executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. You further acknowledge and agree that you have carefully read this Agreement and that you have asked any questions needed for you to understand the terms, consequences and binding effect of this Agreement and fully understand it, including that **YOU ARE WAIVING YOUR RIGHT TO A JURY TRIAL.** Finally, you agree that you have been provided an opportunity to seek the advice of an attorney of your choice before signing this Agreement.

13. **Successors.**

(a) **Company's Successors.** This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "**Company**" shall include any successor to the Company's business or assets that become bound by this Agreement.

(b) **Your Successors.** This Agreement and all of Executive's rights hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

14. **Miscellaneous Provisions.**

(a) **Indemnification.** The Company shall indemnify Executive to the maximum extent permitted by applicable law and the Company's Certificate of Incorporation and Bylaws with respect to Executive's service and Executive shall also be covered under a directors and officers liability insurance policy paid for by the Company to the extent that the Company maintains such a liability insurance policy now or in the future.

(b) **Headings.** All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(c) **Notice.**

(i) **General.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In Executive's case, mailed notices shall be addressed to Executive at the home address that Executive most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(ii) **Notice of Termination.** Any termination by the Company for Cause or by Executive for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 14(c)(i) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon and will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. The failure by Executive or the Company to include in the notice any fact or circumstance which contributes to a showing of Good Reason or Cause, as applicable, will not waive any right of Executive or the Company, as applicable, hereunder or preclude Executive or the Company, as applicable, from asserting such fact or circumstance in enforcing his or her or its rights hereunder, as applicable.

(d) **Modifications and Waivers.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) **Whole Agreement.** No other agreements, representations or understandings (whether oral or written and whether express or implied) that are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement and the Non-Disclosure Agreement contain the entire understanding of the parties with respect to the subject matter hereof.

(f) **Withholding Taxes.** All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) **Choice of Law.** This Agreement shall be interpreted in accordance with the laws of the State of New York without giving effect to provisions governing the choice of law.

(h) **Severability.** If any provision of this Agreement becomes or is deemed invalid, illegal or unenforceable in any applicable jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the minimum extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be stricken and the remainder of this Agreement shall continue in full force and effect. If any provision of this Agreement is rendered illegal by any present or future statute, law, ordinance or regulation (collectively, the "***Law***") then that provision shall be curtailed or limited only to the minimum extent necessary to bring the provision into compliance with the Law. All the other terms and provisions of this Agreement shall continue in full force and effect without impairment or limitation.

(i) **No Assignment.** This Agreement and all of your rights and obligations hereunder are personal to you and may not be transferred or assigned by you at any time. The Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with any sale or transfer to such entity of all or a substantial portion of the Company's assets.

(j) **Acknowledgment.** You acknowledge that you have had the opportunity to discuss this matter with and obtain advice from your personal attorney, have had sufficient time to, and have carefully read and fully understand all the provisions of this Agreement, and are knowingly and voluntarily entering into this Agreement.

(k) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

After you have had an opportunity to review this Agreement, please feel free to contact me if you have any questions or comments. To indicate your acceptance of this Agreement, please sign and date this letter in the space provided below and return it to the Company.

Very truly yours,

SHUTTERSTOCK, INC.

By: /s/ Lisa Nadler

(Signature)

Name: Lisa Nadler

Title: Chief Human Resources Officer

ACCEPTED AND AGREED:

STEVEN CIARDIELLO

/s/ Steven Ciardiello
(Signature)

August 5, 2019
Date



Shutterstock Reports Second Quarter 2019 Financial Results

New York, NY - August 6, 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 second quarter ended June 30, 2019.

Commenting on the Company's performance, founder and CEO Jon Oringer said, "This quarter we continued to see demand from our customers around the globe, resulting in further revenue growth and the strengthening of our working capital position. Shutterstock has always been an innovative technology company, focused on developing creative solutions and driving long-term growth. However, we recognize that there is room for improvement in our Enterprise sales channel and, in the near-term, have revised our outlook for the year as our team develops strategies to reaccelerate growth. This includes assessing initiatives to optimize our existing assets and our go-to-market approach. During the second quarter, we continued to innovate and bring more services onto a common platform, addressing the evolving needs of our customers and enabling their success.

"We are confident that we are well positioned to continue improving and building on our cutting-edge technology, offering innovative content and products for our customers and contributors while fueling our growth and success."

Second Quarter 2019 highlights compared to Second Quarter 2018:

Key Operating Metrics

- Paid downloads increased 3% to 46.6 million.
- Revenue per download increased 1% to \$3.44.
- Image collection expanded 37% to approximately 280 million images.
- Video collection expanded 37% to approximately 15 million clips.

Financial Highlights

- Revenue increased 3% to \$161.7 million. On a constant currency basis, revenue increased 5%.
- Income from operations decreased 45% to \$3.1 million.
- Net income increased to \$3.3 million from a net loss of \$0.3 million.
- Adjusted EBITDA increased 4% to \$25.1 million.
- Diluted EPS increased to \$0.09 per share, from a loss per share of \$0.01.

SECOND QUARTER RESULTS

Revenue

Revenue was \$161.7 million for the second quarter of 2019, an increase of \$5.2 million, or 3%, as compared to the second quarter of 2018, driven by positive year-over-year growth in our e-commerce channel. Revenue generated through our e-commerce channel increased approximately 6% as compared to the second quarter of 2018, to \$97.0 million and represented 60% of total revenue in the second quarter of 2019. Revenue from enterprise customers remained relatively flat, decreasing 0.2% as compared to 2018, to \$64.7 million and represented 40% of total revenue in the second quarter of 2019.

Revenue growth on a constant currency basis was approximately 5% in the second quarter of 2019, as compared to the second quarter of 2018. E-commerce and enterprise revenue growth on a constant currency basis was approximately 7% and 2%, respectively in the second quarter of 2019, as compared to the second quarter of 2018. The number of paid downloads increased by 3% and changes in our product mix drove a 1% increase in revenue per download.

Income from Operations

Income from operations was \$3.1 million, a decrease of \$2.6 million, or 45%, compared to the second quarter of 2018, primarily as a result of an increase in operating expenses of \$7.7 million, or 5%, partially offset by the increase in revenue. The increase in operating expenses is attributable to general and administrative expenses, which include increases in compensation, one-time severance costs, and depreciation and amortization.

Net Income

Net income of \$3.3 million, or \$0.09 per diluted share, increased \$3.6 million for the second quarter of 2019 as compared with a net loss of \$0.3 million, or a loss per diluted share of \$0.01, for the second quarter of 2018, primarily driven by the previously reported \$4.8 million after-tax charge related to the impairment of a long-term investment asset recorded in the second quarter of 2018.

Adjusted EBITDA

Adjusted EBITDA of \$25.1 million for the second quarter of 2019 increased \$1.1 million, or 4%, as compared to the second quarter of 2018, driven primarily by growth in revenue partially offset by higher operating costs. 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 charges 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 \$11.8 million, or \$0.33 per diluted share, for the second quarter of 2019 as compared to \$10.7 million, or \$0.30 per diluted share, in the second quarter of 2018, an increase of \$1.1 million, or 10%. 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 charges related to a long-term investment asset and the estimated tax impact of such adjustments.

LIQUIDITY

Our cash and cash equivalents increased by \$28.2 million to \$259.1 million at June 30, 2019, as compared with \$230.9 million at December 31, 2018. This increase was driven by \$46.7 million of net cash provided by our operating activities 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 \$13.7 million of capital expenditures and \$5.2 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 six months ended June 30, 2019, compared to a net refund of \$0.1 million received during the first six months of 2018.

Free cash flow was \$31.7 million for 2019, an increase of \$18.0 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 second 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 June 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 June 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 June 30, | |
|--|--|--------|
| | 2019 | 2018 |
| | (in millions, except revenue per download) | |
| Paid downloads (during the period) | 46.6 | 45.2 |
| Revenue per download (during the period) ⁽¹⁾ | \$3.44 | \$3.41 |
| Content in our collection (end of period) ⁽²⁾ : | | |
| Images | 280 | 204 |
| Video clips | 15 | 11 |

(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

Based on weaker than expected revenue growth and the Company's committed focus on our Enterprise sales channel strategies in the second half of the year, we are revising our full year revenue target to \$645 million to \$670 million from our previous guidance of \$685 million to \$695 million. This reduction will also impact our previously guided adjusted EBITDA and Operating Income targets. The Company continues to manage towards long-term profitable growth, and we intend to continue to invest in improvements to our business through 2019 and beyond, while maintaining our strong working capital position and free cash flow.

Revised 2019 full-year guidance is 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.
- Capital expenditures, including capitalized labor, of approximately \$32 million.
- Effective tax rate in the teens.

The expectation for non-cash equity-based compensation expense remains at approximately \$25 million.

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, impairment charge related to a long-term investment asset, the gain on Sale of Webdam 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 second quarter and full year financial results during a teleconference today, August 6, 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# 1199157. 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 August 13, 2019 in the U.S. at (855) 859-2056 or outside the U.S. at (404) 537-3406 with the conference ID# 1199157.

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 900,000 contributors, Shutterstock adds hundreds of thousands of images each week, and currently has more than 280 million images and more than 15 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.

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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 June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | \$ 161,741 | \$ 156,584 | \$ 325,073 | \$ 309,603 |
| Operating expenses: | | | | |
| Cost of revenue | 68,526 | 67,891 | 137,744 | 132,381 |
| Sales and marketing | 44,488 | 42,018 | 88,934 | 82,386 |
| Product development | 13,594 | 16,728 | 28,580 | 33,176 |
| General and administrative | 32,063 | 24,322 | 58,646 | 51,546 |
| Total operating expenses | 158,671 | 150,959 | 313,904 | 299,489 |
| Income from operations | 3,070 | 5,625 | 11,169 | 10,114 |
| Gain on Sale of Webdam | — | — | — | 38,613 |
| Other income / (expense), net | 584 | (7,019) | 1,480 | (6,217) |
| Income / (Loss) before income taxes | 3,654 | (1,394) | 12,649 | 42,510 |
| Provision / (Benefit) for income taxes | 355 | (1,140) | 1,828 | 10,183 |
| Net income / (loss) | \$ 3,299 | \$ (254) | \$ 10,821 | \$ 32,327 |
| Earnings / (Loss) per share | | | | |
| Basic | \$ 0.09 | \$ (0.01) | \$ 0.31 | \$ 0.93 |
| Diluted | \$ 0.09 | \$ (0.01) | \$ 0.30 | \$ 0.91 |
| Weighted average common shares outstanding: | | | | |
| Basic | 35,232 | 34,913 | 35,174 | 34,849 |
| Diluted | 35,504 | 34,913 | 35,499 | 35,343 |

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

| | June 30, 2019 | December 31, 2018 |
|---|---------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 259,069 | \$ 230,852 |
| Accounts receivable, net | 44,295 | 41,028 |
| Prepaid expenses and other current assets | 29,747 | 34,841 |
| Total current assets | 333,111 | 306,721 |
| Property and equipment, net | 68,350 | 76,188 |
| Right-of-use assets | 44,808 | — |
| Intangibles assets, net | 26,532 | 29,540 |
| Goodwill | 88,427 | 88,576 |
| Deferred tax assets, net | 13,642 | 12,375 |
| Other assets | 18,083 | 18,088 |
| Total assets | \$ 592,953 | \$ 531,488 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,888 | \$ 7,212 |
| Accrued expenses | 53,278 | 51,385 |
| Contributor royalties payable | 24,010 | 22,971 |
| Deferred revenue | 137,131 | 139,604 |
| Other liabilities | 10,511 | 2,131 |
| Total current liabilities | 228,818 | 223,303 |
| Deferred tax liability, net | — | 77 |
| Lease liabilities | 47,007 | — |
| Other non-current liabilities | 13,207 | 21,441 |
| Total liabilities | 289,032 | 244,821 |
| Commitment and contingencies | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value; 200,000 shares authorized; 37,816 and 37,618 shares issued and 35,258 and 35,060 shares outstanding as of June 30, 2019 and December 31, 2018, respectively | 379 | 376 |
| Treasury stock, at cost; 2,558 shares as of June 30, 2019 and December 31, 2018 | (100,027) | (100,027) |
| Additional paid-in capital | 299,122 | 291,710 |
| Accumulated other comprehensive loss | (7,453) | (6,471) |
| Retained earnings | 111,900 | 101,079 |
| Total stockholders' equity | 303,921 | 286,667 |
| Total liabilities and stockholders' equity | \$ 592,953 | \$ 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 June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income / (loss) | \$ 3,299 | \$ (254) | \$ 10,821 | \$ 32,327 |
| Add/(less): | | | | |
| Depreciation and amortization | 13,403 | 11,284 | 25,319 | 22,227 |
| Non-cash equity-based compensation | 7,751 | 6,429 | 12,375 | 12,035 |
| Other adjustments, net ⁽¹⁾ | 298 | 7,721 | 305 | 7,954 |
| Provision / (Benefit) for income taxes | 355 | (1,140) | 1,828 | 10,183 |
| Gain on Sale of Webdam | — | — | — | (38,613) |
| Adjusted EBITDA | <u>\$ 25,106</u> | <u>\$ 24,040</u> | <u>\$ 50,648</u> | <u>\$ 46,113</u> |
| | | | | |
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Net income / (loss) | \$ 3,299 | \$ (254) | \$ 10,821 | \$ 32,327 |
| Add/(less): | | | | |
| Non-cash equity-based compensation | 7,751 | 6,429 | 12,375 | 12,035 |
| Tax effect of non-cash equity-based compensation ⁽²⁾ | (1,822) | (1,464) | (2,909) | (2,740) |
| Acquisition-related amortization expense | 2,407 | 932 | 3,297 | 2,018 |
| Tax effect of acquisition-related amortization expense ⁽²⁾ | (498) | (212) | (707) | (459) |
| Acquisition-related long-term incentives and contingent consideration | 882 | 702 | 1,786 | 1,737 |
| Tax effect of acquisition-related long-term incentives and contingent consideration ⁽²⁾ | (234) | (160) | (474) | (434) |
| 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 | — | 5,881 |
| Tax effect of impairment of long-term investment asset ⁽²⁾ | — | (1,117) | — | (1,117) |
| Adjusted net income | <u>\$ 11,785</u> | <u>\$ 10,737</u> | <u>\$ 24,189</u> | <u>\$ 21,368</u> |
| Adjusted net income per diluted common share | <u>\$ 0.33</u> | <u>\$ 0.30</u> | <u>\$ 0.68</u> | <u>\$ 0.60</u> |
| | | | | |
| Weighted average diluted shares | <u>35,504</u> | <u>35,368</u> | <u>35,499</u> | <u>35,343</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 June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Total Revenues | \$ 161,741 | \$ 156,584 | \$ 325,073 | \$ 309,603 |
| Less: Revenue from the Webdam business ⁽¹⁾ | — | — | — | (2,711) |
| Revenue excluding the impact of Webdam | \$ 161,741 | \$ 156,584 | \$ 325,073 | \$ 306,892 |
| Revenue growth | 3% | 17% | 5% | 17% |
| Revenue growth on a constant currency basis | 5% | 14% | 7% | 14% |
| Revenue growth excluding the impact of Webdam, on a constant currency basis | 5% | 14% | 8% | 16% |
| E-commerce revenues | \$ 96,993 | \$ 91,718 | \$ 195,106 | \$ 181,453 |
| Revenue growth: e-commerce | 6% | 12% | 8% | 11% |
| Revenue growth: e-commerce on a constant currency basis | 7% | 10% | 10% | 8% |
| Enterprise revenues | \$ 64,748 | \$ 64,866 | \$ 129,967 | \$ 125,439 |
| Revenue growth: enterprise | 0% | 35% | 4% | 33% |
| Revenue growth: enterprise on a constant currency basis | 2% | 32% | 6% | 29% |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Net cash provided by operating activities | \$ 27,034 | \$ 16,929 | \$ 46,743 | \$ 38,023 |
| Capital expenditures | (6,473) | (8,076) | (13,726) | (23,051) |
| Content acquisition | (732) | (607) | (1,277) | (1,242) |
| Free cash flow | \$ 19,829 | \$ 8,246 | \$ 31,740 | \$ 13,730 |

(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 | | | | | | | | |
|---|--------------------|---------|----------|---------|--|---------|----------|---------|---------|
| | 6/30/19 | 3/31/19 | 12/31/18 | 9/30/18 | 6/30/18 | 3/31/18 | 12/31/17 | 9/30/17 | 6/30/17 |
| Number of paid downloads | 46.6 | 47.2 | 46.8 | 43.9 | 45.2 | 43.7 | 43.9 | 41.9 | 42.7 |
| Revenue per download ⁽¹⁾ | \$ 3.44 | \$ 3.42 | \$ 3.40 | \$ 3.40 | \$ 3.41 | \$ 3.40 | \$ 3.33 | \$ 3.23 | \$ 3.05 |
| Content in collection (end of period): ⁽²⁾ | | | | | (in millions, except revenue per download) | | | | |
| Images | 280 | 260 | 242 | 221 | 204 | 187 | 170 | 156 | 145 |
| Video clips | 15 | 14 | 13 | 12 | 11 | 10 | 9 | 8 | 8 |

Historical Revenue by Sales Channel⁽³⁾

| | Three Months Ended | | | | | | | | |
|------------------------------|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 6/30/19 | 3/31/19 | 12/31/18 | 9/30/18 | 6/30/18 | 3/31/18 | 12/31/17 | 9/30/17 | 6/30/17 |
| E-Commerce | \$ 97.0 | \$ 98.1 | \$ 95.6 | \$ 88.7 | \$ 91.7 | \$ 89.7 | \$ 87.8 | \$ 81.8 | \$ 82.2 |
| Enterprise | 64.7 | 65.2 | 66.5 | 62.9 | 64.9 | 60.6 | 59.3 | 55.1 | 48.1 |
| Other ⁽⁴⁾ | — | — | — | — | — | 2.7 | 4.7 | 4.2 | 3.7 |
| Total Revenue ⁽⁵⁾ | \$ 161.7 | \$ 163.3 | \$ 162.1 | \$ 151.6 | \$ 156.6 | \$ 153.0 | \$ 151.8 | \$ 141.1 | \$ 134.0 |

(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.

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Second Quarter 2019

August 6, 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, impairment charge related to a long-term investment asset, interest income and expense, income taxes, depreciation, amortization and 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, expenses related to long-term incentives and contingent consideration related to acquisitions, 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 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 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 effect 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").

Second Quarter 2019 Financial Highlights

Compared to Second Quarter 2018:

- Revenue increased 3% to \$161.7 million.
 - Revenue growth on a constant currency basis was approximately 5%.
- Income from operations decreased 45% to \$3.1 million.
- Net income increased to \$3.3 million, from a net loss of \$0.3 million.
- Adjusted net income increased 10% to \$11.8 million.
- Adjusted EBITDA increased 4% to \$25.1 million.
- Cash provided by operating activities of \$27.0 million.
- Free cash flow was \$19.8 million in 2019 compared to \$8.2 million in 2018.

Second Quarter 2019 Operating Highlights

Compared to Second Quarter 2018:

- Paid downloads of 46.6 million, up 3%.
- Image library expanded to approximately 280 million images, up 37%.
- Video library expanded to approximately 15 million video clips, up 37%.
- More than 900,000 contributors made their images, video clips and music tracks available on Shutterstock's platform, compared to over 450,000 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 June 30, 2018.

Historical Revenue Detail by Sales Channel

(\$ in millions)

| | 2019 | | | 2018 | | | 2017 | | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| E-commerce | \$ 97.0 | \$ 98.1 | \$ 95.6 | \$ 88.7 | \$ 91.7 | \$ 89.7 | \$ 87.8 | \$ 81.8 | \$ 82.0 |
| Enterprise | 64.7 | 65.2 | 66.5 | 62.9 | 64.9 | 60.6 | 59.3 | 55.1 | 48.0 |
| Other ⁽¹⁾ | — | — | — | — | — | 2.7 | 4.7 | 4.2 | 3.0 |
| Total Revenue ⁽²⁾ | <u>\$ 161.7</u> | <u>\$ 163.3</u> | <u>\$ 162.1</u> | <u>\$ 151.6</u> | <u>\$ 156.6</u> | <u>\$ 153.0</u> | <u>\$ 151.8</u> | <u>\$ 141.1</u> | <u>\$ 134.0</u> |
| Less: Webdam Revenue | — | — | — | — | — | (2.7) | (4.7) | (4.2) | (3.0) |
| Revenue excluding impact of Webdam | <u>\$ 161.7</u> | <u>\$ 163.3</u> | <u>\$ 162.1</u> | <u>\$ 151.6</u> | <u>\$ 156.6</u> | <u>\$ 150.3</u> | <u>\$ 147.1</u> | <u>\$ 136.9</u> | <u>\$ 131.0</u> |

(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 June 30, | | |
|--|-----------------------------|----------|---------------------------|
| | 2019 | 2018 | % Change Fav / (Unfav) |
| Total Revenues | \$ 161.7 | \$ 156.6 | 3 % |
| Operating Expenses | (158.7) | (151.0) | (5)% |
| Other Income / (Expense), net | 0.6 | (7.0) | NM |
| (Provision) / Benefit for Income Taxes | (0.4) | 1.1 | NM |
| Net Income / (Loss) | \$ 3.3 | \$ (0.3) | NM |
| Plus: Depreciation & Amortization | 13.4 | 11.3 | (19)% |
| Plus: Non-Cash Equity-Based Compensation | 7.8 | 6.4 | (22)% |
| Plus: Other Adjustments, net ⁽¹⁾ | 0.3 | 7.7 | NM |
| Plus: Provision / (Benefit) for Income Taxes | 0.4 | (1.1) | NM |
| Adjusted EBITDA | \$ 25.1 | \$ 24.0 | 4 % |
| Adjusted EBITDA Margin | 15.5% | 15.4% | |

(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.

Note: Totals may not sum exactly due to rounding.

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Free Cash Flow

(\$ in millions)

| | Three Months Ended June 30, | |
|----------------------------|--------------------------------|--------------|
| | 2019 | 2018 |
| Net Cash From Operations | \$ 27.0 | \$ 16. |
| Less: Capital Expenditures | (6.5) | (8. |
| Less: Content Acquisitions | (0.7) | (0. |
| Free Cash Flow | <u>\$ 19.8</u> | <u>\$ 8.</u> |

Note: Totals may not sum exactly due to rounding.

Adjusted Net Income

(in millions, except per share data)

| | Three Months Ended June 30, | |
|---|--------------------------------|----------------|
| | 2019 | 2018 |
| Net Income / (Loss) | \$ 3.3 | \$ (0.3) |
| Add / (Less): | | |
| Non-Cash Equity-Based Compensation | 7.8 | 6.4 |
| Acquisition-Related Amortization | 2.4 | 0.9 |
| Acquisition-Related Long-Term Incentives and Contingent Consideration | 0.9 | 0.7 |
| Impairment of Long-Term Investment Asset | — | 5.9 |
| Tax Effect of Adjustments ¹ | (2.6) | (3.0) |
| Adjusted Net Income | <u>\$ 11.8</u> | <u>\$ 10.7</u> |
| Diluted Shares Outstanding | 35.5 | 35.4 |
| Adjusted Net Income per Diluted Share | \$ 0.33 | \$ 0.30 |

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, revised from those previously announced, are as follows:

| | 2019 Guidance | Previously Announced 2019 Guidance |
|---|---------------------------------------|---|
| Revenue <i>YOY Growth vs. 2018</i> | \$645 - \$670 million 3.5% - 7.5% | \$685 - \$695 million 10% - 12% |
| Adjusted EBITDA <i>YOY Growth vs. 2018</i> | \$93 - \$107 million -11.5% - 1.8% | \$118 - \$123 million 12% - 17% |
| Income from Operations | \$18 - \$32 million | \$37 - \$47 million |
| Non-Cash Equity Based Comp. | \$25 million | \$25 million |
| Capital Expenditures | \$32 million | \$37 million |
| Effective Tax Rate | Teens % | Low to mid 20's% |



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Shutterstock Appoints Rachna Bhasin to its Board of Directors

New York, NY, August 6, 2019 - Shutterstock, Inc. (NYSE: SSTK), a leading global technology company offering a creative platform for high-quality content, tools and services, today announced that Rachna Bhasin, Founder and CEO of EQ Partners and a Co-Founder of Pacifica Investments, has been appointed to the company's board of directors and will serve on the compensation committee of the board. Bhasin previously held the role of Chief Business Officer at Magic Leap and SVP of Corporate Strategy and Business Development at Sirius XM.

"We are pleased to welcome Rachna to the Shutterstock board. As we look to further innovate and accelerate Shutterstock's performance, we will benefit from Rachna's unique perspective and strategic vision given her deep knowledge of our industry," said Jon Oringer, Founder, Chairman and Chief Executive Officer of Shutterstock. "Her skills and experience in business development, M&A and strategic partnerships complement the expertise of our existing board members and we look forward to her contributions."

"I am honored to join Shutterstock's board of directors and to draw from my knowledge and experience to help guide Shutterstock in its mission to deliver increased value to its customers, contributors and stockholders," said Rachna Bhasin. "In a time where the demand for content is at an all-time high, Shutterstock is well-positioned to serve the needs of marketers, creatives and businesses around the world, providing them with the content, tools and services they need to grow and thrive."

As Founder and CEO of EQ Partners, Bhasin operates as a strategic advisor, investor and consultant to early-stage technology and media companies in the U.S. and Europe. In her role as Co-Founder of Pacifica Investments, she identifies and amplifies technologies, brands and entrepreneurs from New Zealand and the Pacific Rim.

Prior to January 2019, Bhasin held the role of Chief Business Officer for Magic Leap for over three years, where she helped grow the team and led business development, M&A and strategic partnerships. In this capacity, Bhasin oversaw Shutterstock's API partner integration with the Magic Leap One, Creator Edition in May 2016. Since departing from this role, she continues to work with Magic Leap as a Senior Advisor to the CEO.

Previously, Bhasin served as SVP of Corporate Strategy and Business Development at SiriusXM Radio in New York. She also held positions at Dell, Inc. where she led the company's consumer strategic partnerships and personalization, and at EMI Music North America as Vice President of Business Development.

Bhasin currently serves on the board of directors for Ryman Hospitality Properties. Bhasin is a current member of the International Academy of Television Arts & Sciences, and has previously served on the board for the GRAMMY Foundation. She holds an MBA from Harvard Business School and a BCA with Honors from the Victoria University of Wellington in New Zealand.

About Shutterstock, Inc.

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 900,000 contributors, Shutterstock adds hundreds of thousands of images each week, and currently has more than 280 million images and more than 15 million video clips available.

Headquartered in New York City, Shutterstock has offices around the world and customers in more than 150 countries. The company's brands also include 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.

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Forward-Looking Statements

Statements in this press release regarding future expectations, predictions, beliefs, goals, intentions, plans, prospects or strategies, including statements regarding Shutterstock's future performance and its mission to deliver increased value to its customers, contributors and stockholders 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.