

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): February 11, 2020

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 February 13, 2020, Shutterstock, Inc. (the "Company") issued a press release announcing its financial results for the fiscal period ended December 31, 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 Thursday, February 13, 2020 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.

Announcement of Chief Executive Officer

On February 13, 2020, the Company announced that the Company's Board of Directors (the "Board") has named Jon Oringer, currently Chief Executive Officer and Chairman of the Board, as Executive Chairman of the Company, effective April 1, 2020. Stan Pavlovsky, the Company's current President and Chief Operating Officer, will become the Company's Chief Executive Officer and a director, also effective April 1, 2020. Mr. Oringer and the Board agreed to these transitions on February 11, 2020.

Mr. Pavlovsky, 48, has served as the Company's President and Chief Operating Officer since June 2019, and previously served as the Company's Co-Chief Operating Officer and Head of Strategic Operations from April 2019 to June 2019. Prior to joining the Company, Mr. Pavlovsky served as the Executive Vice President, President of Meredith Digital at Meredith Corporation, a media and marketing company, from August 2016 through March 2019. From March 2013 through August 2016, Mr. Pavlovsky served as President of Allrecipes.com, a Meredith company. Prior to joining Meredith, Mr. Pavlovsky was Vice President eCommerce, Merchandising & Marketing at Walgreens Boots Alliance, Inc., a pharmacy store chain, from June 2011 through March 2013. Mr. Pavlovsky previously spent several years at Drugstore.com, an internet retailer in health and beauty care products, which was acquired by Walgreens in 2011, serving in several capacities, including serving in his final years as Vice President, Drugstore.com. Mr. Pavlovsky holds a B.A. from California State University, Northridge and an M.B.A. from City University of Seattle.

Effective April 1, 2020, Mr. Pavlovsky has been appointed as a Class I director of the Company with a term expiring at the Company's 2022 annual meeting of stockholders. The size of the Board will accordingly be increased to seven.

There is no agreement or understanding between Mr. Pavlovsky and any other person pursuant to which he was selected as Chief Executive Officer and a director of the Company, nor is there any family relationship between Mr. Pavlovsky and any of the Company's directors or other executive officers. There are no transactions in which Mr. Pavlovsky has an interest requiring disclosure under Item 404(a) of Regulation S-K.

Employment Agreements

In connection with the transition of Mr. Oringer's role, on February 11, 2020, the Company entered into an amendment to the employment agreement between Mr. Oringer and the Company as well as an amendment to the severance and change in control agreement between Mr. Oringer and the Company, reflecting, in each case, Mr. Oringer's new title and role.

In connection with Mr. Pavlovsky's appointment as Chief Executive Officer, on February 11, 2020, the Company entered into a second amendment to the employment agreement, as previously amended, between Mr. Pavlovsky and the Company, pursuant to which Mr. Pavlovsky's title, base salary, bonus percentage and certain definitions were updated for Mr. Pavlovsky's new role.

The foregoing descriptions of Mr. Oringer's and Mr. Pavlovsky's employment agreement amendments do not purport to be complete and each is qualified in its entirety by reference to the complete text thereof, copies of which will be filed as Exhibits 10.5(d), 10.5(e) and 10.24(c), respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Form of Performance Stock Unit Award Agreement

On February 11, 2020, the Compensation Committee approved a new form of performance-based stock unit award agreement (the "Form PSU Award Agreement") under the Company's Amended and Restated 2012 Omnibus Equity Incentive Plan (the "2012 Plan") in relation to performance-based stock units ("PSUs") to be awarded to eligible employees at the Company. The Form PSU Award Agreement provides for the grant of performance stock units which generally vest at the end of the performance period specified therein, but only results in the issuance of shares if the Company achieves specified thresholds of revenue growth year over year ("Revenue Growth") and Adjusted EBITDA margin (as described in the Form PSU Award Agreement) during such performance period. The exact number of shares issuable pursuant to the Form PSU Award Agreement depends on level of the Company's achievement against the Revenue Growth targets, which are weighted as 25% of the final achievement percentage, and Adjusted EBITDA margin targets, which are weighted as 75% of the final achievement percentage, which targets will be set by the Compensation Committee for the three annual performance periods covered by the award. In general, payout can range from 0 shares to 150% of the target number of shares subject to the PSUs, depending on the level of achievement.

The foregoing description is subject to, and qualified in its entirety by, the 2012 Plan, which was filed on February 27, 2015 with the Company's Annual Report on Form 10-K as Exhibit 10.2 and is incorporated herein by reference, and the Form PSU Award Agreement, which is filed with this report as Exhibit 10.1 and is incorporated herein by reference.

Equity Awards

In connection with Mr. Oringer's appointment as Executive Chairman and Mr. Pavlovsky's appointment as Chief Executive Officer, the Compensation Committee of the Board (the "Compensation Committee") determined to grant each of Mr. Oringer and Mr. Pavlovsky equity awards, with a grant date of April 1, 2020, comprised of PSUs and time-based restricted stock units ("RSUs"), as set forth below:

<u>Name</u>	<u>Total Value</u>	<u>Value of PSUs</u>	<u>Value of RSUs</u>
Jon Oringer	\$4,500,000	\$4,500,000	N/A
Stan Pavlovsky	\$5,500,000	\$4,500,000	\$1,000,000

The number of shares subject to the PSU and RSU grants will be determined by dividing the cash value of the award by the average of the closing price for a share of the Company's common stock during the 30 trading-day period ending on March 31, 2020 (the trading date immediately prior to the grant date), rounded down to the nearest whole number of shares.

PSUs

The awards of PSUs will be measured against performance goals set by the Compensation Committee for each year during a three-year performance period starting on January 1, 2020, and ending on December 31, 2022 (each fiscal year, an "Annual Performance Period"), and the number of shares of common stock of the Company that may eventually vest following the end of each Annual Performance Period, will be between 0% and 150% of an executive's target shares, depending on his continued service with the Company and the extent to which the performance goals will have been achieved at the end of each Annual Performance Period.

The foregoing description of the PSU awards for Mr. Oringer and Mr. Pavlovsky is a summary and is qualified in its entirety by reference to the form of PSU Award Agreement, which is filed with this report as Exhibit 10.1, and the terms of which are incorporated herein by reference.

RSUs

The RSUs to be granted to Mr. Pavlovsky, as described above, vest in equal annual installments over three years, subject to Mr. Pavlovsky's continued service with us. The RSU awards will be granted under our 2012 Plan using the form of RSU award agreement previously filed by the Company with its Quarterly Report on Form 10-Q on November 4, 2016 as Exhibit 10.1. The foregoing description of the RSUs awards for Mr. Pavlovsky is a summary and is qualified in its entirety by reference to the amended form of RSU award agreement, which was filed on November 4, 2016 with the Company's Quarterly Report on Form 10-Q as Exhibit 10.1, and the terms of which are incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

The Board has approved the initiation of a quarterly cash dividend beginning in the first quarter of fiscal 2020. On February 11, 2020, the Board declared a quarterly cash dividend of \$0.17 per share of outstanding common stock, payable on March 19, 2020 to stockholders of record at the close of business on March 5, 2020. The declaration and payment of any future quarterly cash dividend will be subject to the discretion of the Board.

The initial cash dividend is further described in the Company's press release furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

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

In accordance with General Instruction B.2. of Form 8-K, the information in this Item 7.01, including Exhibit 99.1 attached hereto, shall not be deemed "filed" for purposes of Section 18 of 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 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Forward-Looking Statements

Statements in this Current Report on Form 8-K regarding future expectations, predictions, beliefs, goals, intentions, plans, prospects or strategies, including statements regarding future dividends, 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; the Company's inability to continue to attract and retain customers and contributors to the Company's online marketplace for creative content; competitive factors; the Company's 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 the Company's digital content; the Company's inability to increase market awareness of Shutterstock and the Company's products and services; the Company's inability to effectively manage its growth; the Company's inability to grow at historic growth rates or at all; technological interruptions that impair access to the Company's websites; assertions by third parties of infringement of intellectual property rights by the Company; the Company's inability to effectively manage risks associated with operating internationally; the Company's exposure to foreign exchange rate risk; the Company's 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 the Company's products and services; the Company's inability to effectively expand the Company's operations into new products, services and technologies; the Company's inability to protect the confidential information of customers; increased tax liabilities associated with the Company's worldwide operations, including the Company's 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; the Company's 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 the Company's most recent Annual Report on Form 10-K, as well as in other documents that may be filed by the Company from time to time with the Securities and Exchange Commission. As a result of such risks, uncertainties and factors, the Company'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 Current Report on Form 8-K are made only as of the date hereof and the Company assumes no obligation to update the information included in this Current Report on Form 8-K or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law.

Item 9.01 **Financial Statements and Exhibits.**

(d) *Exhibits.*

- 10.1 Form of Performance Stock Unit Award Agreement
- 99.1 Press release entitled "Shutterstock Reports Fourth Quarter and Full Year 2019 Financial Results; Announces Quarterly Dividend of \$0.17 per share," dated February 13, 2020
- 99.2 Presentation slides referenced on the earnings call held by Shutterstock, Inc. on February 13, 2020
- 99.3 Press release entitled "Shutterstock Names Jon Oringer Executive Chairman and Appoints Stan Pavlovsky as Chief Executive Officer," dated February 13, 2020
- 104 Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

EXHIBIT INDEX

Exhibit No.

Exhibit Description

10.1	Form of Performance Stock Unit Award Agreement
99.1	Press release entitled "Shutterstock Reports Fourth Quarter and Full Year 2019 Financial Results; Announces Quarterly Dividend of \$0.17 per share," dated February 13, 2020
99.2	Presentation slides referenced on the earnings call held by Shutterstock, Inc. on February 13, 2020
99.3	Press release entitled "Shutterstock Appoints Stan Pavlovsky as Chief Executive Officer and Names Jon Oringer Executive Chairman," dated February 13, 2020
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: February 13, 2020

By: /s/ Jarrod Yahes
Jarrod Yahes
Chief Financial Officer

SHUTTERSTOCK, INC.

AMENDED AND RESTATED 2012 OMNIBUS EQUITY INCENTIVE PLAN

PERFORMANCE STOCK UNIT AWARD AGREEMENT

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

I. **NOTICE OF PERFORMANCE STOCK UNIT GRANT**

Participant Name:

Address:

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

Grant Number

Date of Grant

Vesting Commencement Date

Number of Performance Stock Units [] which number represents the target amount of shares available, as set forth in Appendix 1 of Exhibit A, attached hereto

Performance Period

Vesting Schedule See Appendix 1 of Exhibit A, attached hereto

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

By Participant's acknowledgment on the Merrill Lynch website and the signature of the representative of Shutterstock, Inc. (the "**Company**") below, Participant and the Company agree that this Award of Performance Stock Units is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including the Terms and Conditions of Restricted Stock Unit Grant (and any country-specific addendum thereto), attached hereto as Exhibit A, all of which are made a part of this document. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Award Agreement. Participant further agrees to notify the Company upon any change in the Participant's residence address.

By: _____

EXHIBIT A

TERMS AND CONDITIONS OF PERFORMANCE STOCK UNIT GRANT

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

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

3. **Vesting Schedule.** Except as provided in Section 4, and subject to Section 5, the Performance Stock Units awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in Appendix 1 to this Award Agreement. Performance Stock Units scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs. Service Provider status will end on the day that notice of termination is provided (whether by the Company or Parent or Subsidiary for any reason or by Participant upon resignation) and will not be extended by any notice period that may be required contractually or under applicable local law. Notwithstanding the foregoing, the Administrator (or any delegate) shall have the sole discretion to determine when Participant is no longer providing active service for purposes of Service Provider status and participation in the Plan.

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

Notwithstanding anything in the Plan or this Award Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Performance Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Performance Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a

Service Provider, then the settlement of such accelerated Performance Stock Units will not occur until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the Performance Stock Units will be settled in Shares and/or cash as soon as practicable following his or her death. It is the intent of this Award Agreement to comply with the requirements of Section 409A so that none of the Performance Stock Units provided under this Award Agreement or Shares and/or cash issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Award Agreement, "Section 409A" means Section 409A of the Code, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. **Forfeiture upon Termination of Status as a Service Provider.** Notwithstanding any contrary provision of this Award Agreement, except as set forth in Appendix 1, the balance of the Performance Stock Units that have not vested as of the time notice is provided (whether by Participant or the Company or Parent or Subsidiary) of Participant's termination as a Service Provider for any or no reason and Participant's right to acquire any Shares and/or cash hereunder will immediately terminate.

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

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

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

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

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

Participant also acknowledges and agrees that: (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time; (b) the grant of Performance Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Performance Stock Units, or benefits in lieu of Performance Stock Units even if Performance Stock Units have been granted repeatedly in the past; (c) all decisions with respect to future awards of Performance Stock Units, if any, will be at the sole discretion of the Company; (d) Participant's participation in the Plan is voluntary; (e) the Performance Stock Units and the Shares and/or cash subject to the Performance Stock Units are extraordinary items that do not constitute regular compensation for services rendered to the Company or the Employer, and that are outside the scope of Participant's employment contract, if any; (f) the Performance Stock Units and the Shares and/or cash subject to the Performance Stock Units are not intended to replace any pension rights or compensation; (g) the Performance Stock Units and the Shares and/or cash subject to the Performance Stock Units are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, or end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer; and (h) in accepting this Award of Performance Stock Units, Participant will be bound by any clawback policy that the Company may adopt in the future.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX 1
VESTING CONDITIONS AND PAYOUT MATRIX FOR PERFORMANCE STOCK UNITS

Target PSUs:

The [•] Performance Stock Units (the “Target PSUs”) granted hereunder represent the aggregate target number of shares of common stock that could potentially be earned, as set forth below if the relevant performance metrics are achieved at the target level. If the Company achieves performance above or below the target level, Participant shall vest in the number of shares of common stock as set forth in the matrix below.

Vesting Schedule and Conditions:

- (a) Except as provided in sections (b) and (c) below, one-third (1/3) of the Target PSUs will vest upon the determination by the Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”) of whether and to the extent performance for each applicable annual period (each a “Performance Period”) equals or exceeds the applicable annual threshold revenue growth (“Threshold Revenue Growth”), target revenue growth (the “Target Revenue Growth”), and maximum revenue growth (“Outstanding Revenue Growth”) and whether and to the extent performance for each Performance Period equals or exceeds the applicable annual threshold Adjusted EBITDA margin (“Threshold Adjusted EBITDA Margin”), target Adjusted EBITDA (the “Target Adjusted EBITDA Margin”), and maximum Adjusted EBITDA (“Outstanding Adjusted EBITDA Margin”) levels set forth in the table below. A final weighted achievement percentage (the “Final Achievement Percentage”) will be calculated based on the level of achievement of revenue growth, which shall be weighted as 25% of the Final Achievement Percentage and the level of achievement of Adjusted EBITDA margins, which shall be weighted as 75% of the Final Achievement Percentage. To the extent the Company achieves performance between the threshold and target levels, and target and outstanding levels, linear interpolation shall be applied to such achievement for a determination of the number of shares vesting. Except as provided in section (b) below, any PSUs not vested for a Performance Period shall be forfeited and canceled.

Revenue Growth (25% Weighting)

Annual Period	Threshold		Target		Outstanding	
	YoY Revenue Growth	Resulting Percentage Payout	YoY Revenue Growth	Resulting Percentage Payout	YoY Revenue Growth	Resulting Percentage Payout
Year 1						
Year 2						
Year 3						

Adjusted EBITDA Margin (75% Weighting)

Annual Period	Threshold		Target		Outstanding	
	Adjusted EBITDA Margin	Resulting Percentage Payout	Adjusted EBITDA Margin	Resulting Percentage Payout	Adjusted EBITDA Margin	Resulting Percentage Payout
Year 1						
Year 2						
Year 3						

Total Achievement Percentage and Payout

Annual Period	Threshold		Target		Outstanding	
	Final Achievement Percentage	Resulting PSUs	Final Achievement Percentage	Resulting PSUs	Final Achievement Percentage	Resulting PSUs
Year 1						
Year 2						
Year 3						

The number of PSUs subject to vesting upon achievement of the Outstanding Final Achievement Percentage for each year, constitutes the maximum number of PSUs that can be vested for that year, even if performance exceeds the Outstanding Final Achievement Percentage level.

- (b) [Except as set forth herein, all vesting of Target PSUs shall cease immediately upon termination of Participant being a Service Provider, and, unless otherwise determined by the Compensation Committee in its discretion, there shall be no partial vesting for the uncompleted year in which a Termination of Employment occurs.]

OR

[Notwithstanding anything to the contrary in the Award Agreement or the Plan, if the Participant ceases to be a Service Provider:

- i. as a result of a termination by the Company without Cause, the Participant shall remain eligible to, and shall vest in, a pro-rata portion of the Target PSUs that would have vested based on actual achievement if the Participant had remained an active employee until the next Vesting Date including, vesting of the applicable portion of the Target PSUs in respect of any Missed Year(s); provided that the determination of such vesting, if any, and settlement of the resulting vested PSUs, if any, shall occur at the same time as applicable to active Participants holding Target PSU awards. For purposes of calculating the pro rata portion of the Target PSUs eligible to vest, the time period for such proration will be deemed to have commenced on the first day of the Performance Period;
- ii. as a result of a termination by the Company (or its successor) without Cause within the 12-month period following a Change in Control, the portion of the Target PSUs that have not vested as of the effective date of such termination shall, as of the date of such termination, become fully vested as if Target Revenue Growth and Target Adjusted EBITDA was achieved for each remaining year in the 3-year performance cycle

- iii. For purposes of this Agreement, Cause shall have the meaning ascribed to it in any written agreement between the Participant and the Company defining such term, and, in the absence of such term, Cause shall mean with the respect to the Participant, the occurrence of any of the following events (i) such Participant's gross negligence or willful misconduct in the performance of his or her duties and responsibilities to the Company or Participant's violation of any written Company policy; (ii) Participant's commission of any act of fraud, theft, embezzlement, financial dishonesty or any other willful misconduct that has caused or is reasonably expected to result in injury to the Company; (iii) Participant's conviction of, or pleading guilty or nolo contendere to, any felony or a lesser crime involving dishonesty or moral turpitude; (iv) Participant's alcohol abuse or other substance abuse; (v) unauthorized use or disclosure of any proprietary information or trade secrets (other than as explicitly set forth in any Company policy) of the Company or any other party to whom Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (vi) Participant's material breach of any of his or her obligations under any written agreement or covenant with the Company. The determination that a termination of the Participant's Service Provider status is either for Cause or without Cause shall be made by the Company, in its sole discretion. Any determination by the Company to terminate a Participant's Service Provider status with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.]
- (c) Adjusted EBITDA Margin shall be calculated for any given year and any subsequent years, as applicable, consistently with the Company's reported Adjusted EBITDA Margin during such year. The Threshold Adjusted EBITDA Margin, Target Adjusted EBITDA Margin and Outstanding Adjusted EBITDA Margin for a given year and any subsequent years, as applicable, may be adjusted at the sole discretion of the Compensation Committee to reflect any extraordinary and/or non-recurring circumstances or events as may be deemed appropriate by the Compensation Committee.

**Shutterstock Reports Fourth Quarter and Full Year 2019 Financial Results****Announces Quarterly Dividend of \$0.17 per share**

New York, NY - February 13, 2020 - 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 fourth quarter and full year ended December 31, 2019.

Commenting on the Company's performance, founder and CEO Jon Oringer said, "We ended 2019 with solid performance, achieving profitable revenue growth, generating significant cash flow and filling some key leadership roles. We also demonstrated the strong network effect of our platform, with our contributor base reaching a milestone of over \$1 billion in earnings paid.

"We have a consistent and unique track record of profitable growth and robust cash flow generation. With our strong balance sheet and desire to return value to our shareholders, we are very pleased to announce that for the first time in our history as a public company, our board has authorized a quarterly cash dividend of \$0.17 per share, effective beginning this quarter. Historically, we have maintained a significant cash balance for investment in our business and strategic opportunities and intend to continue to do so in the future, while delivering long-term value to our shareholders."

Fourth Quarter 2019 highlights as compared to Fourth Quarter 2018:Key Operating Metrics

- Paid downloads increased 2% to 47.7 million.
- Revenue per download increased 1% to \$3.44.
- Image collection expanded 30% to 314 million images.
- Footage collection expanded 30% to 17 million footage clips.

Financial Highlights

- Revenue increased 3% to \$166.4 million. On a constant currency basis, revenue increased 3%.
- Net income decreased 71% to \$4.4 million.
- Adjusted EBITDA decreased 29% to \$24.1 million.
- Net income per diluted share decreased by \$0.30 to \$0.12.
- Adjusted net income per diluted share decreased by \$0.33 to \$0.26.

Full Year 2019 highlights as compared to Full Year 2018:Key Operating Metrics

- Paid downloads increased 5% to 187.8 million.
- Revenue per download increased 1% to \$3.43.

Financial Highlights

- Revenue increased 4% to \$650.5 million. On a constant currency basis, revenue increased 6%.
- Net income decreased 63% to \$20.1 million.
- Adjusted EBITDA decreased 8% to \$96.3 million.
- Net income per diluted share decreased by \$0.97 to \$0.57.
- Adjusted net income per diluted share decreased by \$0.34 to \$1.23.

FOURTH QUARTER RESULTS

Revenue

Fourth quarter revenue of \$166.4 million increased \$4.3 million or 3% as compared to 2018. Revenue generated through our E-commerce sales channel increased 6% as compared to the fourth quarter of 2018, to \$100.9 million, and represented 61% of total revenue in the fourth quarter of 2019. Revenue from our Enterprise sales channel decreased 2% as compared to the fourth quarter of 2018, to \$65.5 million, and represented 39% of fourth quarter revenue in 2019. Foreign currency fluctuations did not have a significant impact on fourth quarter revenue.

Net income and Income per diluted share

Net income of \$4.4 million, decreased \$10.6 million as compared to \$14.9 million for the fourth quarter in 2018. Net income per diluted share was \$0.12, as compared to \$0.42 for the same period in 2018. This decrease is primarily due to a reduction in income from operations in the fourth quarter of 2019 caused by higher spending in performance marketing initiatives and higher general and administrative expenses, largely attributable to investments made across cyber security, data science and analytics, and technology spend.

Adjusted net income per diluted share was \$0.26 as compared to \$0.59 for the fourth quarter of 2018, a decrease of 56%.

Adjusted EBITDA

Adjusted EBITDA of \$24.1 million for the fourth quarter of 2019 decreased \$9.8 million, or 29%, as compared to the fourth quarter of 2018, driven primarily by sales and marketing expenses which increased due to higher spending in performance marketing initiatives and higher general and administrative expenses, largely attributable to investments made across cyber security, data science and analytics, and technology spend.

FULL YEAR RESULTS

Revenue

Full year revenue of \$650.5 million increased \$27.3 million or 4% as compared to 2018, or 6% on a constant currency basis. Revenue generated through our E-commerce sales channel increased 7% as compared to the full year 2018, to \$392.2 million, or 9% on a constant currency basis, and represented 60% of total revenue in 2019. Revenue from our Enterprise sales channel increased 1% as compared to 2018, to \$258.3 million, or 3% on a constant currency basis, and represented 40% of total revenue in 2019.

Net income and Income per diluted share

Net income of \$20.1 million decreased \$34.6 million as compared to \$54.7 million for the full year 2018. Net income per diluted share was \$0.57 as compared to \$1.54 for the full year 2018. This decrease is primarily due to a reduction in income from operations during 2019 caused by higher spending in performance marketing initiatives and higher general and administrative expenses, largely attributable to investments made across cyber security, data science and analytics, and technology spend and a gain recognized in 2018 on the sale of Webdam of \$27.6 million, or \$0.78 per diluted share, net of tax, partially offset by a 2018 impairment charge of \$4.9 million, or \$0.14 per diluted share, net of tax, related to our long-term investment in SilverHub Media Limited.

Adjusted net income per diluted share of \$1.23 decreased by \$0.34, as compared to \$1.57 for the full year 2018.

Adjusted EBITDA

Adjusted EBITDA of \$96.3 million for 2019 decreased \$8.8 million or 8% as compared to the full year 2018, driven primarily by sales and marketing expenses which increased due to higher spending in performance marketing initiatives and higher general and administrative expenses, largely attributable to investments made across cyber security, data science and analytics, and technology spend.

LIQUIDITY

Our cash and cash equivalents increased by \$72.4 million to \$303.3 million at December 31, 2019, as compared with \$230.9 million at December 31, 2018. This increase was driven by \$102.6 million of net cash provided by our operating activities, partially offset by \$27.2 million used in investing activities and \$1.7 million used in financing activities.

Free cash flow was \$73.2 million for 2019, an increase of \$9.7 million from 2018. This change was primarily driven by lower capital expenditures.

QUARTERLY CASH DIVIDEND

On February 11, 2020, the Board of Directors approved the initiation of a quarterly cash dividend and declared a dividend of \$0.17 per share of outstanding common stock, payable on March 19, 2020 to stockholders of record at the close of business on March 5, 2020. We currently expect to continue to pay comparable cash dividends on a quarterly basis in the future, subject to the final determination of our Board of Directors.

OPERATING METRICS

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
	(in millions, except revenue per download)			
Paid downloads (during the period) ⁽¹⁾	47.7	46.8	187.8	179.6
Revenue per download (during the period) ⁽²⁾	\$3.44	\$3.40	\$3.43	\$3.40
Content in our collection (end of period) ⁽³⁾ :				
Images	314	242	314	242
Footage clips	17	13	17	13

(1) Paid downloads is the number of downloads that our customers make in a given period of our photographs, vectors, illustrations, footage or music tracks. Paid downloads exclude custom content, re-downloads of content that a customer has downloaded in the past (which do not generate incremental revenue or contributor royalty expense) and downloads of content that are offered to customers for no charge, including our free image of the week.

(2) Revenue per download is the amount of content-related 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.

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

FINANCIAL OUTLOOK

The Company's current expectations for full year 2020, are as follows:

- Revenue of \$665 million to \$690 million, representing growth of 2% to 6%.
- Adjusted EBITDA of between \$100 million to \$107 million, representing growth of 4% to 11%.
- Adjusted net income per diluted share of between \$1.42 and \$1.58, representing growth of 15% to 28%.

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 (including on a constant currency basis), adjusted EBITDA margin and free cash flow.

Shutterstock defines adjusted EBITDA as net income adjusted for depreciation and amortization, non-cash equity-based compensation, foreign currency transaction gains and losses, charges related to the impairment of a long-term investment asset, expenses related to long-term incentives and contingent consideration related to acquisitions, interest income and expense, income taxes and the gain on sale of Webdam; adjusted net income as net income adjusted for the impact of non-cash equity-based compensation, the amortization of acquisition-related intangible assets, expenses related to long-term incentives and contingent consideration related to acquisitions, the gain on sale of Webdam, charges related to the impairment of 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 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; 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. Shutterstock cautions 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.

Shutterstock's management believes that adjusted EBITDA, adjusted net income, revenue growth (including by distribution channel) on a constant currency basis, revenue excluding the impact of Webdam (including on a constant currency basis), adjusted EBITDA margin 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, adjusted EBITDA margin 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; revenue growth (including by distribution channel) on a constant currency basis provides useful information to investors by eliminating the effect of foreign currency fluctuations that are not directly attributable to Shutterstock's operating performance; and revenue excluding the impact of Webdam (including on a constant currency basis, expressed as a percentage) provide useful information to investors by eliminating the impact of a historical revenue source that is not part of the Company's 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 growth (including by distribution channel) on a constant currency basis, revenue excluding the impact of Webdam (including 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.

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 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. We do not provide a reconciliation of adjusted EBITDA guidance to net income guidance or a reconciliation of adjusted net income per diluted share guidance to net income per diluted share guidance, because we are unable to calculate with reasonable certainty the impact of potential future transactions, including, but not limited to, capital structure transactions, restructuring, acquisitions, divestitures or other events and asset impairments, without unreasonable effort. These amounts depend on various factors and could have a material impact on net

income and net income per diluted share, but may be excluded from adjusted EBITDA and adjusted net income per diluted share. 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 fourth quarter and full year financial results during a teleconference today, February 13, 2020, 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# 8793299. 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 February 20, 2020 in the U.S. at (855) 859-2056 or outside the U.S. at (404) 537-3406 with the conference ID# 8793299.

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

ABOUT SHUTTERSTOCK

Shutterstock, Inc. (NYSE: SSTK), directly and through its group subsidiaries, is a leading global provider of high-quality licensed photographs, vectors, illustrations, videos and music to businesses, marketing agencies and media organizations around the world. Working with its growing community of over 1 million contributors, Shutterstock adds hundreds of thousands of images each week, and currently has more than 310 million images and more than 17 million video clips available.

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

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

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to, statements regarding management's future business, future results of operations or financial condition, future dividends, new or planned features, products or services, management strategies and Shutterstock's expectations regarding financial outlook, future growth and profitability. You can identify forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "plan" and other similar expressions. However, not all forward-looking statements contain these words. 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 caption "Risk Factors" in our most recent Annual Report on Form 10-K, as well as in other documents that we may file 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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenue	\$ 166,371	\$ 162,072	\$ 650,523	\$ 623,250
Operating expenses:				
Cost of revenue	71,797	68,829	278,176	267,671
Sales and marketing	47,182	43,034	181,730	166,448
Product development	15,103	11,689	57,216	58,897
General and administrative	26,486	22,881	113,246	97,782
Total operating expenses	160,568	146,433	630,368	590,798
Income from operations	5,803	15,639	20,155	32,452
Gain on Sale of Webdam	—	—	—	38,613
Other income / (expense), net	2,816	1,048	4,761	(4,952)
Income before income taxes	8,619	16,687	24,916	66,113
Provision for income taxes	4,266	1,774	4,808	11,426
Net income	\$ 4,353	\$ 14,913	\$ 20,108	\$ 54,687
Earnings per share:				
Basic	\$ 0.12	\$ 0.43	\$ 0.57	\$ 1.57
Diluted	\$ 0.12	\$ 0.42	\$ 0.57	\$ 1.54
Weighted average common shares outstanding:				
Basic	35,478	35,047	35,285	34,935
Diluted	35,786	35,421	35,581	35,420

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

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 303,261	\$ 230,852
Accounts receivable, net	47,016	41,028
Prepaid expenses and other current assets	26,703	34,841
Total current assets	376,980	306,721
Property and equipment, net	58,834	76,188
Right-of-use assets	45,453	—
Intangibles assets, net	26,669	29,540
Goodwill	88,974	88,576
Deferred tax assets, net	14,387	12,375
Other assets	19,215	18,088
Total assets	\$ 630,512	\$ 531,488
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,104	\$ 7,212
Accrued expenses	53,864	51,385
Contributor royalties payable	25,193	22,971
Deferred revenue	141,922	139,604
Other liabilities	18,811	2,131
Total current liabilities	245,894	223,303
Lease liabilities	47,313	—
Other non-current liabilities	9,160	21,518
Total liabilities	302,367	244,821
Commitment and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 200,000 shares authorized; 38,055 and 37,618 shares issued and 35,497 and 35,060 shares outstanding as of December 31, 2019 and December 31, 2018, respectively	381	376
Treasury stock, at cost; 2,558 shares as of December 31, 2019 and December 31, 2018	(100,027)	(100,027)
Additional paid-in capital	312,824	291,710
Accumulated other comprehensive loss	(6,220)	(6,471)
Retained earnings	121,187	101,079
Total stockholders' equity	328,145	286,667
Total liabilities and stockholders' equity	\$ 630,512	\$ 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 growth (including by distribution channel) on a constant currency basis, revenue excluding the impact of Webdam (including 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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	\$ 4,353	\$ 14,913	\$ 20,108	\$ 54,687
Add / (less) Non-GAAP adjustments:				
Depreciation and amortization	12,604	11,718	49,915	45,652
Non-cash equity-based compensation	4,931	5,875	22,815	23,869
Other adjustments, net ⁽¹⁾	(2,054)	(346)	(1,332)	8,093
Provision for income taxes	4,266	1,774	4,808	11,426
Gain on Sale of Webdam	—	—	—	(38,613)
Adjusted EBITDA	\$ 24,100	\$ 33,934	\$ 96,314	\$ 105,114
Adjusted EBITDA margin	14.5%	20.9%	14.8%	16.9%

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	\$ 4,353	\$ 14,913	\$ 20,108	\$ 54,687
Add / (less) Non-GAAP adjustments:				
Non-cash equity-based compensation	4,931	5,875	22,815	23,869
Tax effect of non-cash equity-based compensation ⁽²⁾	(1,159)	(1,337)	(5,363)	(5,434)
Acquisition-related amortization expense	704	906	4,691	3,841
Tax effect of acquisition-related amortization expense ⁽²⁾	(165)	(206)	(1,034)	(874)
Acquisition-related long-term incentives and contingent consideration	762	702	3,430	3,141
Tax effect of acquisition-related long-term incentives and contingent consideration ⁽²⁾	(202)	(238)	(910)	(832)
Gain on Sale of Webdam	—	—	—	(38,613)
Tax effect of gain on Sale of Webdam ⁽²⁾	—	263	—	10,996
Impairment of long-term investment asset	—	—	—	5,881
Tax effect of impairment of long-term investment asset ⁽²⁾	—	—	—	(999)
Adjusted net income	\$ 9,224	\$ 20,878	\$ 43,737	\$ 55,663
Net income per diluted share	\$ 0.12	\$ 0.42	\$ 0.57	\$ 1.54
Adjusted net income per diluted share	\$ 0.26	\$ 0.59	\$ 1.23	\$ 1.57
Weighted average diluted shares	35,786	35,421	35,581	35,420

(1) Other adjustments, net includes foreign currency transaction gains and losses, charges related to the 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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Total Revenues	\$ 166,371	\$ 162,072	\$ 650,523	\$ 623,250
Less: Revenue from the Webdam business ⁽¹⁾	—	—	—	(2,711)
Revenue excluding the impact of Webdam	\$ 166,371	\$ 162,072	\$ 650,523	\$ 620,539
Revenue growth	3%	7%	4%	12%
Revenue growth on a constant currency basis	3%	8%	6%	11%
Revenue growth excluding the impact of Webdam on a constant currency basis	3%	11%	6%	14%
E-commerce revenues	\$ 100,902	\$ 95,564	\$ 392,241	\$ 365,730
Revenue growth: E-commerce	6%	9%	7%	10%
Revenue growth: E-commerce on a constant currency basis	6%	10%	9%	9%
Enterprise revenues	\$ 65,469	\$ 66,508	\$ 258,282	\$ 254,809
Revenue growth: Enterprise	(2)%	12%	1%	22%
Revenue growth: Enterprise on a constant currency basis	—%	13%	3%	21%

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 25,626	\$ 33,685	\$ 102,646	\$ 102,202
Capital expenditures	(6,534)	(5,344)	(26,081)	(34,890)
Content acquisition	(1,448)	(1,016)	(3,344)	(3,838)
Free cash flow	\$ 17,644	\$ 27,325	\$ 73,221	\$ 63,474

(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								
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
	(in millions, except revenue per download)								
Number of paid downloads	47.7	46.3	46.6	47.2	46.8	43.9	45.2	43.7	43.9
Revenue per download ⁽¹⁾⁽⁵⁾	\$ 3.44	\$ 3.40	\$ 3.44	\$ 3.42	\$ 3.40	\$ 3.40	\$ 3.41	\$ 3.40	\$ 3.33
Content in our collection (end of period): ⁽²⁾									
Images	314	297	280	260	242	221	204	187	170
Footage	17	16	15	14	13	12	11	10	9

Historical Revenue by Sales Channel⁽³⁾

	Three Months Ended								
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
	(in millions)								
E-commerce	\$ 100.9	\$ 96.2	\$ 97.0	\$ 98.1	\$ 95.6	\$ 88.7	\$ 91.7	\$ 89.7	\$ 87.8
Enterprise	65.5	62.8	64.7	65.2	66.5	62.9	64.9	60.6	59.3
Other ⁽⁴⁾	—	—	—	—	—	—	—	2.7	4.7
Total Revenue⁽⁵⁾	\$ 166.4	\$ 159.1	\$ 161.7	\$ 163.3	\$ 162.1	\$ 151.6	\$ 156.6	\$ 153.0	\$ 151.8

(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 footage available on shutterstock.com at the end of the period. We exclude certain content available to customers, including custom content and content that may be licensed for editorial use only.

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

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

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

shutterstock

Fourth Quarter and Full Year 2019

February 13, 2020



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

Shutterstock's management believes that adjusted EBITDA, adjusted net income, revenue growth on a constant currency basis, revenue excluding the impact of Webdam, adjusted EBITDA margin 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, adjusted EBITDA margin 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 and infrequent charges that are not directly attributable to Shutterstock's underlying operating performance; revenue growth on a constant currency basis provides useful information to investors by eliminating the effect of foreign currency fluctuations that are not directly attributable to Shutterstock's operating performance; and revenue excluding the impact of Webdam provides useful information to investors by eliminating the impact of a historical revenue source that is not part of Shutterstock's current business. Additionally, management believes that providing these non-GAAP financial measures enhances the comparability for investors in assessing Shutterstock's 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 management uses 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 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.

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 measures calculated and presented in accordance with GAAP, is presented immediately following the "Liquidity and Capital Allocation" slide. We do not provide a reconciliation of adjusted EBITDA guidance to net income guidance because we are unable to calculate with reasonable certainty the impact of potential future transactions, including, but not limited to, capital structure transactions, restructuring, acquisitions, divestitures or other events and asset impairments, without unreasonable effort. These amounts depend on various factors and could have a material impact on net income and net income per diluted share, but may be excluded from adjusted EBITDA and adjusted net income per diluted share. In addition, we believe that 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").

Fourth Quarter 2019 Financial Highlights

Compared to Fourth Quarter 2018:

- Revenue increased 3% to \$166.4 million.
 - Foreign currency did not have a significant impact on fourth quarter revenue growth.
- Net income decreased 71% to \$4.4 million.
- Adjusted EBITDA decreased 29% to \$24.1 million.
- Net income per diluted share decreased by \$0.30 to \$0.12.
- Adjusted net income per diluted share decreased by \$0.33 to \$0.26.
- Cash provided by operating activities of \$25.6 million.
- Free cash flow was \$17.6 million in 2019 compared to \$27.3 million in 2018.

Fourth Quarter 2019 Operating Highlights

Compared to Fourth Quarter 2018:

- Paid downloads of 47.7 million, up 2%.
- Image library expanded to approximately 314 million images, up 30%.
- Footage library expanded to approximately 17 million video clips, up 30%.
- More than 1.1 million contributors made their images, footage clips and music tracks available on Shutterstock's platform, compared to over 650,000 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 December 31, 2018.

Full Year 2019 Financial Highlights

Compared to full year 2018:

- Revenue increased 4% to \$650.5 million. On a constant currency basis, revenue increased 6%.
- Net income decreased 63% to \$20.1 million.
- Adjusted EBITDA decreased 8% to \$96.3 million.
- Net income per diluted share decreased by \$0.97 to \$0.57.
- Adjusted net income per diluted share during the year decreased by \$0.34 to \$1.23.
- Cash provided by operating activities of \$102.6 million.
- Free cash flow was \$73.2 million in 2019 compared to \$63.5 million in 2018.

Liquidity and Capital Allocation

- Cash and cash equivalents of \$303.3 million as of December 31, 2019, compared to \$230.9 million as of December 31, 2018.
- In the year ended December 31, 2019:
 - Cash provided by operations of \$102.6 million.
 - Net cash taxes paid of \$1.9 million, compared to \$0.6 million paid in 2018.
 - Free cash flow of \$73.2 million in 2019, an increase of 15% from 2018.

Quarterly Cash Dividend:

- On February 11, 2020, the Board of Directors approved the initiation of a quarterly cash dividend and declared a dividend of \$0.17 per share of outstanding common stock, payable on March 19, 2020 to stockholders of record at the close of business on March 5, 2020. We currently expect to continue to pay comparable cash dividends on a quarterly basis in the future, subject to the final determination of our Board of Directors.

Consolidated Quarterly Financial Results

(\$ in millions)

	Three Months Ended December 31,		
	2019	2018	% Change Inc. / (Dec.)
Total Revenues	\$ 166.4	\$ 162.1	3 %
Cost of revenue	71.8	68.8	4 %
Sales and marketing	47.2	43.0	10 %
Product development	15.1	11.7	29 %
General and administrative	26.5	22.9	16 %
Total operating expenses	160.6	146.4	10 %
Income from operations	5.8	15.6	(63)%
Other income, net	2.8	1.0	169 %
Income before income taxes	8.6	16.7	(48)%
Benefit for Income Taxes	4.3	1.8	NM
Net Income	\$ 4.4	\$ 14.9	(71)%
Plus: Depreciation & Amortization	12.6	11.7	(9)%
Plus: Non-Cash Equity-Based Compensation	4.9	5.9	5 %
Plus: Other Adjustments, net ⁽¹⁾	(2.1)	(0.3)	NM
Plus: Benefit for Income Taxes	4.3	1.8	NM
Adjusted EBITDA	\$ 24.1	\$ 33.9	(8)%
Adjusted EBITDA Margin	14.5%	20.9%	

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

Note: Totals may not sum exactly due to rounding.

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Consolidated Annual Financial Results

(\$ in millions)

	Year Ended December 31,		
	2019	2018	% Change Inc. / (Dec.)
Total Revenues	\$ 650.5	\$ 623.3	4 %
Cost of revenue	278.2	267.7	4 %
Sales and marketing	181.7	166.4	9 %
Product development	57.2	58.9	(3)%
General and administrative	113.2	97.8	16 %
Total operating expenses	630.4	590.8	7 %
Income from operations	20.2	32.5	(38)%
Gain on Sale of Webdam	—	38.6	NM
Other income / (expense), net	4.8	(5.0)	NM
Income before income taxes	24.9	66.1	(62)%
Provision for Income Taxes	4.8	11.4	(58)%
Net Income	\$ 20.1	\$ 54.7	(63)%
Plus: Depreciation & Amortization	49.9	45.7	(9)%
Plus: Non-Cash Equity-Based Compensation	22.8	23.9	5 %
Plus: Other Adjustments, net ⁽¹⁾	(1.3)	8.1	NM
Plus: Provision for Income Taxes	4.8	11.4	(58)%
Less: Gain on Sale of Webdam	—	(38.6)	NM
Adjusted EBITDA	\$ 96.3	\$ 105.1	(8)%
Adjusted EBITDA Margin	14.8%	16.9%	

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

Note: Totals may not sum exactly due to rounding.

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Adjusted Net Income

(in millions, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net Income	\$ 4.4	\$ 14.9	\$ 20.1	\$ 54.7
Add / (Less):				
Non-Cash Equity-Based Compensation	4.9	5.9	22.8	23.9
Acquisition-Related Intangible Amortization	0.7	0.9	4.7	3.8
Acquisition-Related Long-Term Incentives and Contingent Consideration	0.8	0.7	3.4	3.1
Gain on Sale of Webdam	—	—	—	(38.6)
Impairment of Long-Term Investment Asset	—	—	—	5.9
Tax Effect of Adjustments ¹	(1.5)	(1.5)	(7.3)	2.9
Adjusted Net Income	<u>\$ 9.2</u>	<u>\$ 20.9</u>	<u>\$ 43.7</u>	<u>\$ 55.7</u>
Diluted Shares Outstanding	35.8	35.4	35.6	35.4
Net Income Per Diluted Share	\$ 0.12	\$ 0.42	\$ 0.57	\$ 1.54
Adjusted Net Income Per Diluted Share	\$ 0.26	\$ 0.59	\$ 1.23	\$ 1.57

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.

Free Cash Flow

(\$ in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net Cash From Operations	\$ 25.6	\$ 33.7	\$ 102.6	\$ 102.2
Less: Capital Expenditures	(6.5)	(5.3)	(26.1)	(34.9)
Less: Content Acquisitions	(1.4)	(1.0)	(3.3)	(3.8)
Free Cash Flow	<u>\$ 17.6</u>	<u>\$ 27.3</u>	<u>\$ 73.2</u>	<u>\$ 63.5</u>

Note: Totals may not sum exactly due to rounding.

Historical Revenue Detail by Sales Channel

(\$ in millions)

	2019					2018				
	Q4	Q3	Q2	Q1	Annual	Q4	Q3	Q2	Q1	Ar
E-commerce	\$ 100.9	\$ 96.2	\$ 97.0	\$ 98.1	\$ 392.2	\$ 95.6	\$ 88.7	\$ 91.7	\$ 89.7	\$:
YOY Growth	6%	9%	6%	9%	7%	9%	9%	12%	11%	
Enterprise	65.5	62.8	64.7	65.2	258.2	66.5	62.9	64.9	60.6	2
YOY Growth	(2)%	0%	0%	8%	1%	12%	14%	35%	31%	
Other ⁽¹⁾	—	—	—	—	—	—	—	—	2.7	
Total Revenue	\$ 166.4	\$ 159.1	\$ 161.7	\$ 163.3	\$ 650.5	\$ 162.1	\$ 151.6	\$ 156.6	\$ 153.0	\$ 0
YOY Growth	3%	5%	3%	7%	4%	7%	8%	17%	18%	
Less: Webdam Revenue	—	—	—	—	—	—	—	—	(2.7)	
Revenue excluding impact of Webdam	\$ 166.4	\$ 159.1	\$ 161.7	\$ 163.3	\$ 650.5	\$ 162.1	\$ 151.6	\$ 156.6	\$ 150.3	\$ 0

(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.

Note: Totals may not sum exactly due to rounding.

Depreciation and Amortization

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

(\$ in millions)	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	% Change Fav / (Unfav)	2019	2018	% Change Fav / (Unfav)
Cost of revenue	\$ 10.8	\$ 9.4	(15)%	\$ 40.4	\$ 35.7	(13)
General and administrative	1.8	2.4	25 %	9.5	9.9	4
Total depreciation and amortization	<u>12.6</u>	<u>11.8</u>	<u>(7)%</u>	<u>49.9</u>	<u>45.6</u>	<u>(9)</u>

Note: Totals may not sum exactly due to rounding.

2020 Guidance

The Company's current expectations for the full year 2020 are as follows:

	<u>2020 Guidance</u>
Revenue <i>YOY Growth vs. 2019</i>	\$665 - \$690 million <i>2% to 6%</i>
Adjusted EBITDA <i>YOY Growth vs. 2019</i>	\$100 - \$107 million <i>4% to 11%</i>
Adjusted Net Income per diluted share <i>YOY Growth vs. 2019</i>	\$1.42 to \$1.58 <i>15% to 28%</i>



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Shutterstock Appoints Stan Pavlovsky as Chief Executive Officer and Names Jon Oringer Executive Chairman

New York, NY, February 13, 2020 - Shutterstock, Inc. (NYSE: SSTK), a leading global technology company offering a creative platform for high-quality content, tools and services, today announced that the Board of Directors (the "Board") has appointed Stan Pavlovsky, currently President and Chief Operating Officer, as Chief Executive Officer. He will also join the Board of Directors. Jon Oringer, currently Chief Executive Officer, will be Executive Chairman of the Board. These changes are effective April 1, 2020.

"This is an ideal time to name Stan as CEO and elevate Jon to Executive Chairman, as we position the Company for its next phase of growth and industry leadership," said Thomas R. Evans, Presiding Director of the Board. "Stan has the leadership track record and breadth of business experience we believe are critical to lead Shutterstock into the future, including growing and leading eCommerce, retail and digital media businesses. He also has demonstrated a strong focus on leading with innovation, a dedication to our people and core values, and a commitment to delivering value to stockholders. Speaking on behalf of the Board, we are thrilled to be working closely with Stan and look forward to supporting him as he leads the Company during this exciting period."

Pavlovsky joined the Company in April 2019, initially serving as the Company's Co-COO and Head of Strategic Operations and transitioning to President and COO in June 2019. Prior to joining Shutterstock, Stan served as President of Meredith Digital and Executive Vice President, Meredith Corporation, a media company that is home to leading national brands, including PEOPLE, Better Homes & Gardens, InStyle, REAL SIMPLE and Martha Stewart Living. He was responsible for leading Meredith's core digital assets, including its sites and products, strategy, content, sales and its creative studio, The Foundry. Prior to that role, Stan successfully led strategy and development for Meredith's largest digital food enterprise, Allrecipes.com, as the brand's President.

"Shutterstock is one of those rare companies which has truly disrupted its industry through technology, and I couldn't be more honored to be its next CEO," Pavlovsky said. "We have a lot of opportunities ahead and a big part of my job is to start to deliver on the next chapter of our platform strategy. As we work to execute on our strategy, we will focus on providing adjacent services that our enterprise customers require to enhance their workflow, more fully leveraging our vast pool of first-party data, and continuing to develop industry-leading proprietary technology to help our customers drive top and bottom-line improvements to their businesses. I look forward to continuing to work closely with our excellent senior leadership team, along with Jon and our entire Board."

As Executive Chairman, Oringer will continue to lead the Board of Directors and will be actively involved in critical aspects of Shutterstock's business including strategy, M&A and capital allocation. He will also act as an advisor to Pavlovsky and continue to represent Shutterstock with customers, contributors and other key external groups around the world.

"I believe the time is right for me to step aside from the day-to-day operations of Shutterstock and I couldn't feel more confident that I'm handing over the reigns to the right person for this next chapter in Shutterstock's evolution," said Oringer. "We continue to be a leader in our industry and are well-positioned to capture future opportunities for growth by remaining laser-focused on serving our customers and contributors, creating significant value for our stockholders and providing the best experiences for our people. I am excited to assume the role of Executive Chairman and work with Stan — along with our entire senior leadership team — to ensure a seamless transition and to pursue Shutterstock's next phase of growth."

Said Evans, "Shutterstock would not be Shutterstock without Jon Oringer, and his vision and leadership of Shutterstock since the Company's founding in 2003 has been nothing short of exceptional. We are grateful that through his new role as Executive Chairman, we will continue to benefit from Jon's leadership and steadfast commitment to driving a strategy and vision for Shutterstock's future that will continue to deliver results for our customers, employees and stockholders. With Stan as CEO and Jon as Executive Chairman, Shutterstock has a powerful advantage in the industry."

About Shutterstock, Inc.

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