
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2025

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-35669

SHUTTERSTOCK, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

80-0812659

(I.R.S. Employer Identification No.)

350 Fifth Avenue, 20th Floor
New York, NY 10118

(Address of principal executive offices, including zip code)

(646) 710-3417

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	SSTK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of April 25, 2025, 35,253,704 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

Shutterstock, Inc.
FORM 10-Q
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For the Quarterly Period Ended March 31, 2025

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, particularly in the discussion under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” All statements other than statements of historical fact are forward-looking. Examples of forward-looking statements include, but are not limited to, statements regarding our proposed merger with Getty Images Holdings, Inc. (the “Merger”), guidance, industry prospects, future business, future results of operations or financial condition, future dividends, future stock performance, our ability to consummate acquisitions and integrate the businesses we have acquired or may acquire into our existing operations, new or planned features, products or services, management strategies and our competitive position. You can identify many forward-looking statements by words such as “may,” “will,” “would,” “should,” “could,” “expects,” “aims,” “anticipates,” “believes,” “estimates,” “intends,” “plans,” “predicts,” “projects,” “seeks,” “potential,” “opportunities” and other similar expressions and the negatives of such expressions. However, not all forward-looking statements contain these words. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, risks related to the proposed Merger; our ability to continue to attract and retain customers of, and contributors to, our creative platform; competition in our industry; the effectiveness and efficiency of our marketing efforts; our ability to innovate technologically or develop, market and offer new products and services, or enhance existing technology and products and services; costs related to litigation or infringement claims, indemnification claims and the inability to prevent misuse of our content; our ability to increase market awareness of our brand and our existing and new products and services; pricing pressure, and increased service, indemnification and working capital requirements; expansion of our operations into new products, services and technologies; the impact of worldwide economic, political and social conditions; issues relating to the use of new and evolving technologies, such as AI; our ability to grow our revenues at historical rates; our ability to effectively expand, train, manage changes to and retain our sales force; our ability to effectively manage our growth; our ability to successfully make, integrate and maintain acquisitions and investments, risks related to our personnel; risks related to our use of independent contractors; the non-payment or late payment of amounts due to us and other payment-related risks; the potential impairment of our goodwill or intangible assets; the need to raise additional capital; risks related to our debt; our reliance on information technologies and systems and other risks related to our intellectual property and security vulnerabilities; our international operations and our continued expansion internationally; foreign exchange risk; risks related to regulatory and tax challenges; as well as those risks discussed under the caption “Risk Factors” in our most recently filed Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission (the “SEC”) on February 25, 2025 (our “2024 Form 10-K”) and in our consolidated financial statements, related notes, and the other information appearing elsewhere in the 2024 Form 10-K, this Quarterly Report on Form 10-Q and our other filings with the SEC. Given these risks and uncertainties, you should not place undue reliance on any forward-looking statements. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date hereof, and we do not intend, and, except as required by law, we undertake no obligation to update any forward-looking statements contained herein after the date of this report to reflect actual results or future events or circumstances.

Unless the context otherwise indicates, references in this Quarterly Report on Form 10-Q to the terms “Shutterstock,” “the Company,” “we,” “our” and “us” refer to Shutterstock, Inc. and its subsidiaries. “Shutterstock,” “Shutterstock Editorial,” “Asset Assurance,” “Offset,” “Bigstock,” “Rex Features,” “PremiumBeat,” “TurboSquid,” “PicMonkey,” “Pattern89,” “Shotzr,” “Pond5,” “Splash News,” “Giphy,” “Shutterstock Studios,” “Shutterstock Editor,” “Shutterstock.AI,” “Creative Flow,” “Backgrid,” “Envato,” “Envato Elements,” “Photodune,” “Tuts+,” “Themeforest,” “Codecanyon,” “Audiojungle,” “Graphicriver,” “Videohive,” “3DOcean,” “Mixkit,” and “Placeit” and their logos are registered trademarks and are the property of Shutterstock, Inc. or one of our subsidiaries. All other trademarks, service marks and trade names appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

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

	March 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 112,231	\$ 111,251
Accounts receivable, net of allowance of \$3,577 and \$3,101	111,739	95,225
Prepaid expenses and other current assets	40,043	49,482
Total current assets	264,013	255,958
Property and equipment, net	65,624	66,400
Right-of-use assets	12,913	13,956
Intangible assets, net	238,278	248,477
Goodwill	572,420	569,668
Deferred tax assets, net	78,053	70,982
Other assets	92,917	83,715
Total assets	\$ 1,324,218	\$ 1,309,156
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 16,119	\$ 9,221
Accrued expenses	107,878	126,643
Contributor royalties payable	85,022	81,076
Deferred revenue	226,242	225,489
Debt	158,107	158,106
Other current liabilities	21,854	24,751
Total current liabilities	615,222	625,286
Deferred tax liability, net	1,853	2,174
Long-term debt	118,858	119,598
Lease liabilities	21,706	23,365
Other non-current liabilities	19,399	20,383
Total liabilities	777,038	790,806
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Common stock, \$0.01 par value; 200,000 shares authorized; 40,422 and 40,395 shares issued and 34,901 and 34,874 shares outstanding as of March 31, 2025 and December 31, 2024, respectively	403	403
Treasury stock, at cost; 5,521 shares as of March 31, 2025 and December 31, 2024	(269,804)	(269,804)
Additional paid-in capital	485,736	468,390
Accumulated other comprehensive loss	(12,544)	(16,841)
Retained earnings	343,389	336,202
Total stockholders' equity	547,180	518,350
Total liabilities and stockholders' equity	\$ 1,324,218	\$ 1,309,156

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2025	2024
Revenue	\$ 242,620	\$ 214,315
Operating expenses:		
Cost of revenue	100,888	88,204
Sales and marketing	53,359	56,236
Product development	19,865	21,051
General and administrative	58,307	32,078
Total operating expenses	<u>232,419</u>	<u>197,569</u>
Income from operations	10,201	16,746
Interest expense	(4,298)	(562)
Other income, net	14,515	4,206
Income before income taxes	20,418	20,390
Provision for income taxes	1,730	4,269
Net income	<u>\$ 18,688</u>	<u>\$ 16,121</u>
Earnings per share:		
Basic	<u>\$ 0.54</u>	<u>\$ 0.45</u>
Diluted	<u>\$ 0.53</u>	<u>\$ 0.45</u>
Weighted average common shares outstanding:		
Basic	<u>34,890</u>	<u>35,591</u>
Diluted	<u>35,322</u>	<u>36,066</u>

See Notes to Unaudited Consolidated Financial Statements.

Shutterstock, Inc.
Consolidated Statements of Comprehensive Income
(In thousands)
(unaudited)

	Three Months Ended	
	March 31,	
	2025	2024
Net income	\$ 18,688	\$ 16,121
Foreign currency translation gain / (loss)	4,297	(1,464)
Other comprehensive income / (loss)	4,297	(1,464)
Comprehensive income	\$ 22,985	\$ 14,657

See Notes to Unaudited Consolidated Financial Statements.

Shutterstock, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands)
(unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Three Months Ended March 31, 2025								
Balance at December 31, 2024	40,395	\$ 403	5,521	\$ (269,804)	\$ 468,390	\$ (16,841)	\$ 336,202	\$ 518,350
Equity-based compensation	—	—	—	—	17,884	—	—	17,884
Issuance of common stock in connection with employee stock option exercises and RSU vesting	46	—	—	—	—	—	—	—
Common shares withheld for settlement of taxes in connection with equity-based compensation	(19)	—	—	—	(538)	—	—	(538)
Cash dividends paid	—	—	—	—	—	—	(11,501)	(11,501)
Other comprehensive income	—	—	—	—	—	4,297	—	4,297
Net income	—	—	—	—	—	—	18,688	18,688
Balance at March 31, 2025	40,422	\$ 403	5,521	\$ (269,804)	\$ 485,736	\$ (12,544)	\$ 343,389	\$ 547,180
Three Months Ended March 31, 2024								
Balance at December 31, 2023	39,982	\$ 399	4,410	\$ (228,213)	\$ 424,229	\$ (11,974)	\$ 342,653	\$ 527,094
Equity-based compensation	—	—	—	—	11,150	—	—	11,150
Issuance of common stock in connection with employee stock option exercises and RSU vesting	52	—	—	—	—	—	—	—
Common shares withheld for settlement of taxes in connection with equity-based compensation	(21)	—	—	—	(963)	—	—	(963)
Cash dividends paid	—	—	—	—	—	—	(10,663)	(10,663)
Other comprehensive loss	—	—	—	—	—	(1,464)	—	(1,464)
Net income	—	—	—	—	—	—	16,121	16,121
Balance at March 31, 2024	40,013	\$ 399	4,410	\$ (228,213)	\$ 434,416	\$ (13,438)	\$ 348,111	\$ 541,275

See Notes to Unaudited Consolidated Financial Statements.

Shutterstock, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Three Months Ended March 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 18,688	\$ 16,121
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,671	21,263
Deferred taxes	(7,772)	(3,854)
Non-cash equity-based compensation	17,884	11,150
Bad debt expense	593	(1,510)
Unrealized gain on investments, net	(13,260)	(3,755)
Changes in operating assets and liabilities:		
Accounts receivable	(16,618)	(736)
Prepaid expenses and other current and non-current assets	17,982	(11,999)
Accounts payable and other current and non-current liabilities	(17,264)	(20,182)
Contributor royalties payable	3,379	6,127
Deferred revenue	(1,036)	(4,325)
Net cash provided by operating activities	<u>\$ 25,247</u>	<u>\$ 8,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(10,808)	(14,461)
Business combination, net of cash acquired	—	(19,474)
Cash received related to Giphy Retention Compensation	492	18,401
Acquisition of content	(897)	(994)
Security deposit payment	(21)	—
Net cash used in investing activities	<u>\$ (11,234)</u>	<u>\$ (16,528)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid related to settlement of employee taxes related to RSU vesting	(3,539)	(7,966)
Payment of cash dividends	(11,501)	(10,663)
Repayment of credit facility	(781)	—
Net cash used in financing activities	<u>\$ (15,821)</u>	<u>\$ (18,629)</u>
Effect of foreign exchange rate changes on cash	2,788	(1,822)
Net increase / (decrease) in cash and cash equivalents	980	(28,679)
Cash and cash equivalents, beginning of period	111,251	100,490
Cash and cash equivalents, end of period	<u>\$ 112,231</u>	<u>\$ 71,811</u>
Supplemental Disclosure of Cash Information:		
Cash (received) / paid for income taxes	\$ (604)	\$ 2,901
Cash paid for interest	4,359	509

See Notes to Unaudited Consolidated Financial Statements.

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

(1) Summary of Operations

Summary of Operations

Shutterstock, Inc. (the “Company” or “Shutterstock”) is a leading global creative platform connecting brands and businesses to high quality content.

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

Digital content licensed to customers for their creative needs includes images, footage, music, and 3D models (the Company’s “Content” offering). Content revenues represent the majority of the Company’s business and are supported by the Company’s searchable creative platform and driven by the Company’s large contributor network.

In addition, customers have needs that are beyond traditional content license products and services. These include (i) licenses to metadata associated with the Company’s images, footage, music tracks and 3D models through the Company’s data offering, (ii) distribution and advertising services from the Company’s Giphy business, which consists of GIFs (graphics interchange format visuals) that serve as a critical ingredient in text- and message- based conversations and in contextual advertising settings, (iii) specialized solutions for high-quality content matched with production tools and services through Shutterstock Studios and (iv) other tailored white-glove services (collectively, the Company’s “Data, Distribution, and Services” offerings).

The Company’s Content offering includes:

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

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

(2) Merger Agreement with Getty Images

On January 6, 2025, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) to combine in a merger-of-equals transaction with Getty Images Holdings, Inc. (NYSE:GETY) (“Getty Images”) (such transaction referred to herein as the “Merger”). Subject to terms and conditions in the Merger Agreement, the aggregate consideration to be paid by Getty Images in respect of the outstanding shares of common stock of Shutterstock will be:

- (a) An amount in cash equal to the product of \$9.50 multiplied by the number of shares of Shutterstock common stock outstanding immediately prior to the transaction close (including vested Shutterstock restricted stock units and performance stock units); and
- (b) A number of shares of Getty Images common stock equal to the product of 9.17 multiplied by the number of shares of Shutterstock common stock outstanding immediately prior to the transaction close (including vested Shutterstock restricted stock units and performance stock units).

Each holder of shares of Shutterstock common stock immediately prior to the transaction close will have the option to receive, subject to proration, for each share of Shutterstock common stock held by such holder:

- (a) Cash consideration of \$9.50 and 9.17 shares of Getty Images common stock (a “Mixed Election”);
- (b) Cash consideration of \$28.8487; or
- (c) 13.67237 shares of Getty Images common stock.

If no election is made by a holder, each of such holder’s shares of Shutterstock common stock shall be treated as having made a Mixed Election.

The Merger is subject to the satisfaction of customary closing conditions, further described below, including receipt of required regulatory approvals, the approval of Shutterstock stockholders and the extension or refinancing of Getty Images’ existing debt obligations. Subject to the satisfaction of the closing conditions, upon closing of the Merger, Shutterstock’s common stock will be delisted from the NYSE and deregistered under the Securities Exchange Act of 1934, as amended. The closing of the Merger is subject to the satisfaction or waiver of certain closing conditions, including:

- adoption of the Merger Agreement by Shutterstock stockholders (the “Shutterstock Stockholder Approval”) and the Getty Images stockholder approval, which condition was subsequently satisfied by the Getty Images stockholder written consent;
- Getty Images’ registration statement on Form S-4 to be filed in connection with the Merger having become effective and the mailing of an information statement to Getty Images stockholders at least 20 business days prior to the closing, which condition was subsequently satisfied on April 30, 2025;
- absence of any order, injunction or other order or law in certain jurisdictions prohibiting the Merger or making the closing of the Merger illegal;
- expiration of the applicable waiting period (and extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of other regulatory approvals deemed necessary or advisable;
- shares of Getty Images common stock to be issued in connection with the Merger having been approved for listing on the NYSE;
- accuracy of each party’s representations and warranties, subject to certain standards set forth in the Merger Agreement;
- performance and compliance in all material respects of each party’s agreements and covenants under the Merger Agreement;
- absence of any Getty Images material adverse effect or Shutterstock material adverse effect, as applicable and subject to the definitions thereof in the Merger Agreement;
- delivery of an opinion of tax counsel that the Second Merger and the Third Merger as defined in the Merger Agreement, taken together, will qualify as a “reorganization” within the meaning of section 368(a) of the Internal Revenue Code of 1986, as amended; and
- Getty Images having amended or otherwise refinanced its existing term loans and senior notes to extend the maturity of each to no earlier than February 19, 2028.

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

(3) Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all information and footnotes required by GAAP for complete financial statements.

The interim Consolidated Balance Sheet as of March 31, 2025, and the Consolidated Statements of Operations, Comprehensive Income and Stockholders’ Equity for the three months ended March 31, 2025 and 2024, and the Consolidated Statements of Cash Flows for the three months ended March 31, 2025 and 2024 are unaudited. The Consolidated Balance Sheet as of December 31, 2024, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures required by GAAP. These unaudited interim financial statements have been prepared on a basis consistent with the Company’s annual financial statements and, in the opinion of management, reflect all adjustments, which include all normal recurring adjustments necessary to fairly state the Company’s financial position as of March 31, 2025, and its consolidated results of operations, comprehensive income, stockholders’ equity and cash flows for the three months ended March 31, 2025 and 2024. The financial data and the other financial information disclosed in the notes to the financial statements related to these periods are also unaudited. The results of operations for the three months ended March 31, 2025 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2025 or for any other future annual or interim period.

These financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2024 included in the Company’s Annual Report on Form 10-K, which was filed with the SEC on February 25, 2025. The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain immaterial changes in presentation have been made to conform the prior period presentation to current period reporting.

Use of Estimates

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

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

Cash and Cash Equivalents

The Company's cash and cash equivalents consist primarily of bank deposits.

Accounts Receivable and Allowance for Doubtful Accounts

The Company's accounts receivable consists of customer obligations due under normal trade terms, carried at their face value less an allowance for doubtful accounts, if required. The Company determines its allowance for doubtful accounts and credit losses based on an evaluation of (i) the aging of its accounts receivable considering historical receivables loss rates, (ii) on a customer-by-customer basis, where appropriate, and (iii) the economic environments in which the Company operates.

For certain Data, Distribution, and Services transactions, the Company has \$53.8 million of unbilled receivables of which \$34.4 million are recorded in Accounts Receivable and \$19.4 million are recorded in Other Assets, as of March 31, 2025.

During the three months ended March 31, 2025, the Company recorded bad debt expense of \$0.6 million. As of March 31, 2025 and December 31, 2024, the Company's allowance for doubtful accounts was approximately \$3.6 million and \$3.1 million, respectively. The allowance for doubtful accounts is included as a reduction of accounts receivable on the Consolidated Balance Sheets.

The Company has certain customer arrangements that contain financing elements. Interest income earned from these financing receivables is recorded on the effective interest method and is included within interest income on the Consolidated Statements of Operations. As of March 31, 2025 and December 31, 2024, approximately \$13.7 million and \$13.3 million of financing receivables, respectively, were included in accounts receivable and other assets on the Consolidated Balance Sheets.

In addition, as of March 31, 2025 one customer accounted for approximately 15% of the accounts receivable balance. As of December 31, 2024, one customer accounted for approximately 17% of the accounts receivable balance.

Chargeback and Sales Refund Allowance

The Company establishes a chargeback allowance and sales refund reserve allowance based on factors surrounding historical credit card chargeback trends, historical sales refund trends and other information. As of March 31, 2025 and December 31, 2024, the Company's combined allowance for chargebacks and sales refunds was \$0.3 million, which was included as a component of other current liabilities on the Consolidated Balance Sheets.

Revenue Recognition

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

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

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

For customers making electronic payments, collectability is probable at the time the order or contract is entered. A significant portion of the Company's customers purchase products by making electronic payments with a credit card at the time

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

of the transaction. Customer payments received in advance of revenue recognition are contract liabilities and are recorded as deferred revenue. Customers that do not pay in advance are invoiced and are required to make payments under standard credit terms. Collectability for customers who pay on credit terms allowing for payment beyond the date at which service commences, is based on a credit evaluation for certain new customers and transaction history with existing customers.

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

The Company also reports revenue net of return and chargeback allowances. These allowances are based off historical trends when available.

(4) Fair Value Measurements and Long-term Investments

Fair Value Measurements

The Company had no assets or liabilities requiring fair value hierarchy disclosures as of March 31, 2025 or December 31, 2024, except as noted below.

Other Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. Debt consists of principal amounts outstanding under our credit facility, which approximates fair value as underlying interest rates are reset regularly based on current market rates and is classified as Level 2. The Company's non-financial assets, which include long-lived assets, intangible assets and goodwill, are not required to be measured at fair value on a recurring basis. However, if the Company is required to evaluate a non-financial asset for impairment, whether due to certain triggering events or because annual impairment testing is required, a resulting asset impairment would require that the non-financial asset be recorded at fair value.

Long-term Investments

Investment in Meitu, Inc. ("Meitu")

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

On March 27, 2024, ZCool was acquired by Meitu, and the Company's Preferred Shares in ZCool were exchanged for \$18.4 million of Meitu common shares, resulting in an investment carrying value increase of \$3.4 million, which is recorded in Other income, net in the Consolidated Statement of Operations. Meitu's primary business is the provision of online advertising and other internet value added services in the PRC, and its common shares are publicly traded on the Main Board of The Stock Exchange of Hong Kong Limited. This investment is recorded at fair value on a recurring basis, with changes in fair value being recorded in Other income, net in the Consolidated Statement of Operations. Its fair value level hierarchy and amount at March 31, 2025 are as follows (in thousands):

	<u>As of March 31, 2025</u>	<u>As of December 31, 2024</u>
Level 1	\$ 31,596	\$ 17,290

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Other Long-Term Investments

In connection with its Data, Distribution, and Services business, the Company may receive equity instruments in addition to cash for revenue contract consideration. As of March 31, 2025 and December 31, 2024, the Company had \$30.5 million and \$24.0 million, respectively, recorded in Other Assets in the Consolidated Balance Sheet from equity instruments received. The Company estimated the value of these equity instruments based on issuers' recent market transactions. The Company will use the measurement alternative for fair value since the equity instruments do not have a readily determinable fair value and will report the instruments at cost, adjusted for impairments or any observable price changes in ordinary transactions with identical or similar investments.

As of March 31, 2025 and December 31, 2024, the Company also had a long-term investment in an equity security with no readily determinable fair value totaling \$5.0 million. The Company uses the measurement alternative for fair value and the investment's carrying value is reported at cost, adjusted for impairments or any observable price changes in ordinary transactions with identical or similar investments. Subsequent to March 31, 2025, the issuer of this security raised additional capital at a valuation that would result in the Company not recovering its investment in a liquidation event. Accordingly, the Company expects to record a \$5.0 million impairment charge in the second quarter of 2025.

(5) Acquisitions

2024 Acquisitions

Envato

On July 22, 2024, the Company completed its acquisition of Envato Pty Ltd. ("Envato") pursuant to a Share Purchase Agreement (the "Purchase Agreement") entered into on May 1, 2024, to acquire all of the issued and outstanding capital stock of Envato. The aggregate amount paid by the Company, after customary working capital and other adjustments in accordance with the terms of the Purchase Agreement, was \$250.2 million. The consideration was sourced with cash obtained through the A&R Credit Agreement. See Note 9 Debt for more information. In connection with the acquisition, the Company incurred approximately \$7.0 million of transaction costs in total, which are included in general and administrative expenses on the Consolidated Statements of Operations.

Envato offers digital creative assets and templates, including Envato Elements, a creative subscription providing unlimited downloads of a diverse array of assets, templates, and more. The Company believes this acquisition complements Shutterstock's existing offerings and expands its reach with faster growing audiences such as freelancers, hobbyists, small businesses and agencies.

The purchased assets included identifiable intangible assets, comprised of trademarks, developed technology and customer relationships, which have weighted average useful lives of approximately 10 years, 5 years and 6 years, respectively. The fair values of the trademark and developed technology were determined using the relief-from-royalty method, and the fair value of the customer relationships was determined using the excess of earnings method. The goodwill arising from the transaction is primarily attributable to expected operational synergies and is not deductible for income tax purposes.

Backgrid

On February 1, 2024, the Company completed its acquisition of all of the outstanding shares of Backgrid USA, Inc. and Backgrid London LTD, (collectively, "Backgrid"), for approximately \$20 million, subject to customary working capital adjustments. The total purchase price was paid with existing cash on hand. In connection with the acquisition, the Company incurred approximately \$1.5 million of transaction costs in total, which are included in general and administrative expenses on the Consolidated Statements of Operations.

Backgrid supplies media organizations with real-time celebrity content. The Company believes this acquisition expands Shutterstock Editorial's Newsroom offering of editorial images and footage across celebrity, red carpet and live-events.

The identifiable intangible assets, trademark and developed technology, have useful lives of approximately 10 years and 5 years, respectively. The fair values of the trademark and developed technology were determined using the excess earnings and relief-from-royalty methods, respectively. The goodwill arising from the transaction is primarily attributable to expected operational synergies and is not deductible for income tax purposes.

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The Envato and Backgrid transactions were accounted for using the acquisition method and, accordingly, the results of the acquired businesses have been included in the Company's results of operations from the respective acquisition dates. The fair value of consideration transferred in these business combinations have been allocated to the intangible and tangible assets acquired and liabilities assumed at the acquisition date, with the remaining unallocated amount recorded as goodwill. The identifiable intangible assets of these acquisitions are being amortized on a straight-line basis.

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

Assets acquired and liabilities assumed:	Envato	Backgrid	Total
Cash and cash equivalents ¹	\$ 90,591	\$ 1,718	\$ 92,309
Accounts receivable	6,818	732	7,550
Other assets	5,404	77	5,481
Right of use asset	273	—	273
Fixed assets	895	—	895
Intangible assets:			
Trade name	31,000	300	31,300
Developed technology	61,000	900	61,900
Customer relationships	14,200	—	14,200
Intangible assets	106,200	1,200	107,400
Goodwill ²	169,161	19,843	189,004
Deferred tax asset	36,956	—	36,956
Total assets acquired	\$ 416,298	\$ 23,570	\$ 439,868
Accounts payable	(4,173)	—	(4,173)
Contributor royalties payable	(11,917)	(849)	(12,766)
Accrued expenses	(30,233)	(228)	(30,461)
Deferred revenue	(46,888)	—	(46,888)
Deferred tax liability	—	(271)	(271)
Other liabilities ¹	(72,682)	(1,074)	(73,756)
Lease liability	(190)	—	(190)
Total liabilities assumed	(166,083)	(2,422)	(168,505)
Net assets acquired	\$ 250,215	\$ 21,148	\$ 271,363

¹ Envato's cash includes \$63.4 million for the funding of Envato obligations that were triggered upon the closing of the acquisition (the "Envato Seller Obligations"). These obligations are also reported as assumed liabilities within Other liabilities. The Envato Obligations would not have been incurred had the acquisition not closed, and are presented "on-the-line" because they are not reflected in either the acquirer's or acquiree's statement of operations. As of March 31, 2025, the Envato Seller Obligations have been settled in full and no additional amounts remain outstanding in Other liabilities.

² During the three months ended March 31, 2025, the Company updated its preliminary allocation of the Envato purchase price to the assets acquired and liabilities assumed. This resulted in (i) a \$1.6 million increase to goodwill, (ii) a \$0.4 million decrease to Deferred tax assets, and (iii) a \$1.2 million increase to Other liabilities.

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The following unaudited pro forma consolidated financial information (in thousands) reflects the results of operations of the Company for the three months ended March 31, 2025 and 2024, respectively, as if the Envato and Backgrid acquisitions had been completed on January 1, 2023. These pro forma results have been prepared for comparative purposes only and are based on estimates and assumptions that have been made solely for purposes of developing such pro forma information and are not necessarily indicative of what the Company's operating results would have been, had the acquisitions actually taken place at the beginning of the previous annual period.

	Three Months Ended March 31,	
	2025	2024
Revenue		
As Reported	\$ 242,620	\$ 214,315
Pro Forma	242,620	264,859
Income before income taxes		
As Reported	\$ 20,418	\$ 20,390
Pro Forma	20,418	29,138

(6) Property and Equipment

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

	As of March 31, 2025	As of December 31, 2024
Computer equipment and software	\$ 361,888	\$ 351,062
Furniture and fixtures	11,041	11,016
Leasehold improvements	20,545	20,451
Property and equipment	393,474	382,529
Less accumulated depreciation	(327,850)	(316,129)
Property and equipment, net	\$ 65,624	\$ 66,400

Depreciation and amortization expense related to property and equipment was \$10.6 million and \$10.3 million for the three months ended March 31, 2025 and 2024, respectively. Of these amounts, \$10.3 million and \$9.9 million are included in cost of revenue for the three months ended March 31, 2025 and 2024, respectively, and \$0.3 million and \$0.4 million are included in general and administrative expense for the three months ended March 31, 2025 and 2024, respectively.

Depreciation and amortization expense is included in cost of revenue and general and administrative expense in the Consolidated Statements of Operations based on the nature of the asset being depreciated.

Capitalized Internal-Use Software

The Company capitalized costs related to the development of internal-use software of \$9.0 million for the three months ended March 31, 2025 and 2024. Capitalized amounts are included as a component of property and equipment under computer equipment and software on the Consolidated Balance Sheets.

The portion of total depreciation expense related to capitalized internal-use software was \$10.0 million and \$9.6 million for the three months ended March 31, 2025 and 2024, respectively. Depreciation expense related to capitalized internal-use software is included in cost of revenue in the Consolidated Statements of Operations.

As of March 31, 2025 and December 31, 2024, the Company had capitalized internal-use software of \$56.7 million and \$57.8 million, respectively, net of accumulated depreciation, which was included in property and equipment, net.

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(7) Goodwill and Intangible Assets

Goodwill

The Company's goodwill balance is attributable to its Content reporting unit and is tested for impairment annually on October 1 or upon a triggering event. No triggering events were identified during the three months ended March 31, 2025.

The following table summarizes the changes in the carrying value of the Company's goodwill balance during the three months ended March 31, 2025 (in thousands):

	Goodwill
Balance as of December 31, 2024	\$ 569,668
Goodwill related to acquisitions	—
Envato measurement period adjustment	1,588
Foreign currency translation adjustment	1,164
Balance as of March 31, 2025	<u>\$ 572,420</u>

Intangible Assets

Intangible assets, all of which are subject to amortization, consisted of the following as of March 31, 2025 and December 31, 2024 (in thousands):

	As of March 31, 2025			Weighted Average Life (Years)	As of December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:							
Customer relationships	\$ 104,217	\$ (37,590)	\$ 66,627	11	\$ 103,130	\$ (34,847)	\$ 68,283
Trade name	69,223	(14,578)	54,645	11	68,980	(12,941)	56,039
Developed technology	177,671	(93,398)	84,273	5	176,560	(86,140)	90,420
Contributor content	70,623	(37,964)	32,659	8	69,574	(35,917)	33,657
Patents	259	(185)	74	18	259	(181)	78
Total	<u>\$ 421,993</u>	<u>\$ (183,715)</u>	<u>\$ 238,278</u>		<u>\$ 418,503</u>	<u>\$ (170,026)</u>	<u>\$ 248,477</u>

Amortization expense was \$12.1 million and \$11.0 million for the three months ended March 31, 2025 and 2024, respectively. Of these amounts, \$10.5 million and \$10.0 million are included in cost of revenue for the three months ended March 31, 2025 and 2024, respectively, and \$1.6 million and \$1.0 million are included in general and administrative expense for the three months ended March 31, 2025 and 2024, respectively.

The Company determined that there was no indication of impairment of the intangible assets for any period presented. Estimated amortization expense is: \$34.2 million for the remaining nine months of 2025, \$43.5 million in 2026, \$37.3 million in 2027, \$34.5 million in 2028, \$27.8 million in 2029, \$16.4 million in 2030 and \$44.4 million thereafter.

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(8) Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	<u>As of March 31, 2025</u>	<u>As of December 31, 2024</u>
Compensation	\$ 29,091	\$ 46,753
Non-income taxes	43,213	43,171
Website hosting and marketing fees	6,546	9,568
Other expenses	29,028	27,151
Total accrued expenses	<u>\$ 107,878</u>	<u>\$ 126,643</u>

As of March 31, 2025 and December 31, 2024, compensation-related accrued expenses included amounts due to Giphy employees for compensation earned pre-acquisition and severance costs associated with workforce optimizations. Approximately \$2.6 million and \$5.8 million of severance costs associated with workforce optimization is included within accrued expenses as of March 31, 2025 and December 31, 2024, respectively.

(9) Debt

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

On July 22, 2024, the Company entered into an amended and restated credit agreement (the "A&R Credit Agreement"), which was entered into among the Company, as borrower, certain direct and indirect subsidiaries of the Company as guarantors, the lenders party thereto, and Bank of America, N.A., as Administrative Agent for the lenders. The A&R Credit Agreement provides for a five-year (i) senior unsecured term loan facility (the "Term Loan") in an aggregate principal amount \$125 million and (ii) senior unsecured revolving credit facility (the "Revolver") in an aggregate principal amount of \$250 million. The A&R Credit Agreement also provides for a letter of credit subfacility and a swingline facility.

At the Company's option, loans under the A&R Credit Agreement accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.375% to 0.750%, determined based on the Company's consolidated net leverage ratio or (ii) the Term Secured Overnight Financing Rate ("SOFR") (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.375% to 1.750%, determined based on the Company's consolidated net leverage ratio, plus a credit spread of 0.100%. The Company is also required to pay an unused commitment fee ranging from 0.175% to 0.250%, determined based on the Company's consolidated leverage ratio. In connection with the execution of this agreement, the Company paid debt issuance costs of approximately \$2.2 million.

The A&R Credit Agreement replaces the Company's existing Credit Facility, which was fully repaid and terminated upon the effectiveness of the A&R Credit Agreement. In connection with the closing of the Credit Facility, the Company repaid \$30.0 million of existing outstanding borrowings and accrued interest.

As of March 31, 2025, the Company had a remaining borrowing capacity of \$94 million, net of standby letters of credit.

The A&R Credit Agreement contains financial covenants and requirements restricting certain of the Company's activities, which are customary for this type of credit facility. The Company is also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio, in each case, determined in accordance with the terms of the A&R Credit Agreement. As of March 31, 2025, the Company was in compliance with these covenants.

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The Company's outstanding debt (in thousands) is reflected in the table below. The Company classifies the Revolver as a current liability since the Company could draw upon and repay the outstanding amount as needed. The maturity of the Revolver is in 2029.

	<u>As of March 31, 2025</u>	<u>As of December 31, 2024</u>
Current Debt:		
Revolver - A&R Credit Agreement	155,000	155,000
Term Loan - A&R Credit Agreement	3,107	3,106
Non-Current Debt:		
Term Loan - A&R Credit Agreement	118,858	119,598

Based on Level 2 inputs, the carrying value of the Company's debt approximates its fair value, as borrowings are subject to variable interest rates that adjust with changes in market rates and market conditions and the current interest rate approximates that which would be available under similar financial arrangements.

For the three months ended March 31, 2025, the Company recognized interest expense of \$4.3 million. As of March 31, 2025, unamortized debt issuance cost related to the Term Loan - A&R Credit Agreement is \$0.7 million.

(10) Stockholders' Equity and Equity-Based Compensation

Stockholders' Equity

Common Stock

The Company issued approximately 27,000 and 31,000 shares of common stock during the three months ended March 31, 2025 and 2024, respectively, related to the exercise of stock options and the vesting of restricted stock units.

Treasury Stock

In June 2023, the Company's Board of Directors approved a share repurchase program (the "2023 Share Repurchase Program"), providing authorization to repurchase up to \$100 million of its common stock.

The Company expects to fund future repurchases, if any, through a combination of cash on hand, cash generated by operations and future financing transactions, if appropriate. Accordingly, the 2023 Share Repurchase Program is subject to the Company having available cash to fund repurchases. Under the 2023 Share Repurchase Program, management is authorized to purchase shares of the Company's common stock from time to time through open market purchases or privately negotiated transactions at prevailing prices as permitted by securities laws and other legal requirements, and subject to market conditions and other factors.

As of March 31, 2025, the Company has repurchased approximately 5.5 million shares of common stock under the 2023 Share Repurchase Program at an average per-share cost of \$48.86. During the three months ended March 31, 2025 and 2024, the Company did not repurchase any shares of common stock. As of March 31, 2025, the Company had \$30.2 million of remaining authorization for purchases under the 2023 Share Repurchase Program.

Dividends

The Company declared and paid cash dividends of \$0.33 and \$0.30 per share of common stock, or \$11.5 million and \$10.7 million during the three months ended March 31, 2025 and 2024, respectively.

On April 21, 2025, the Company's Board of Directors declared a quarterly cash dividend of \$0.33 per share of outstanding common stock payable on June 19, 2025 to stockholders of record at the close of business on June 5, 2025. Future declarations of dividends are subject to the final determination of the Board of Directors, and will depend on, among other things, the Company's future financial condition, results of operations, capital requirements, capital expenditure requirements, contractual restrictions, anticipated cash needs, business prospects, provisions of applicable law and other factors the Board of Directors may deem relevant.

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Equity-Based Compensation

The Company recognizes stock-based compensation expense for all equity-based compensation awards, including employee restricted stock units and performance-based restricted stock units (“PRSUs” and, collectively with Restricted Stock Units, “RSUs”) and stock options, based on the fair value of each award on the grant date. Awards granted prior to June 1, 2022 were granted under the Company’s Amended and Restated 2012 Omnibus Equity Incentive Plan (the “2012 Plan”). At the Annual Meeting held on June 2, 2022, the Company’s stockholders approved the 2022 Omnibus Equity Incentive Plan (the “2022 Plan”). Awards granted subsequent to June 2, 2022 were granted under the 2022 Plan. At the Annual Meeting held on June 6, 2024, the Company’s stockholders approved the Amended and Restated 2022 Omnibus Equity Incentive Plan (the “2022 Amended and Restated Plan”). Awards granted subsequent to June 6, 2024 were granted under the 2022 Amended and Restated Plan.

The following table summarizes non-cash equity-based compensation expense, net of forfeitures, by financial statement line item included in the accompanying Consolidated Statements of Operations for the three months ended March 31, 2025 and 2024 (in thousands):

	Three Months Ended March 31,	
	2025	2024
Cost of revenue	\$ 396	\$ 224
Sales and marketing	2,255	2,011
Product development	2,912	2,285
General and administrative	12,321	6,630
Total	<u>\$ 17,884</u>	<u>\$ 11,150</u>

For the three months ended March 31, 2025 and 2024, substantially all of the Company’s non-cash equity-based compensation expense related to RSUs.

Stock Option Awards

During the three months ended March 31, 2025, no options to purchase shares of its common stock were granted. As of March 31, 2025, there were approximately 264,000 options vested and exercisable with a weighted average exercise price of \$32.95.

Restricted Stock Unit Awards

During the three months ended March 31, 2025, the Company had RSU grants, net of forfeitures, of approximately 79,000. As of March 31, 2025, there are approximately 2,932,000 non-vested RSUs outstanding with a weighted average grant-date fair value of \$45.34. As of March 31, 2025, the total unrecognized non-cash equity-based compensation expense related to the non-vested RSUs was approximately \$64.2 million, which is expected to be recognized through 2029.

During the three months ended March 31, 2025 and 2024, shares of common stock with an aggregate value of \$0.5 million and \$1.0 million were withheld upon vesting of RSUs and paid in connection with related remittance of employee withholding taxes to taxing authorities.

On April 1, 2025, the Company granted approximately 3,079,000 RSUs with a grant date fair value of \$49.5 million.

(11) Revenue

The Company distributes its products through two primary offerings:

Content: The majority of the Company’s customers license image, video, music and 3D content for commercial purposes either directly through the Company’s self-service web properties or through the Company’s dedicated sales teams. Content customers have the flexibility to purchase subscription-based plans that are paid on a monthly or annual basis. Customers are also able to license content on a transactional basis. These customers generally license content under the Company’s standard or enhanced licenses, with additional licensing options available to meet customers’ individual needs. Certain content customers also have unique content, licensing and workflow needs. These customers communicate with dedicated sales professionals, service and research teams which provide a number of tailored enhancements to their creative workflows including non-standard licensing rights, multi-seat access, ability to pay on credit terms, multi-brand licensing packages, increased indemnification protection and content licensed for use-cases outside of those available on the e-commerce platform.

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Data, Distribution, and Services: The Company's Data, Distribution, and Services offerings address customer demand for products and services that are beyond the stock image, footage music and 3D model licenses. These offerings include access to the Company's metadata for machine learning and generative artificial intelligence model training and high-quality production and custom content at scale provided by Shutterstock Studios.

The Company's revenues by product offering for the three months ended March 31, 2025 and 2024 are as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Content	\$ 202,888	\$ 173,830
Data, Distribution, and Services	39,732	40,485
Total Revenue	\$ 242,620	\$ 214,315

Deferred revenue reported on the balance sheet represents unfulfilled performance obligations for which the Company has either received payment or has outstanding receivables. The March 31, 2025 deferred revenue balance will be earned as content is downloaded or upon the expiration of subscription-based products, and nearly all is expected to be earned within the next twelve months. \$101.2 million of total revenue recognized for the three months ended March 31, 2025 was reflected in deferred revenue as of December 31, 2024. In addition, as of March 31, 2025, the Company has approximately \$38.7 million of contracted but unsatisfied performance obligations relating primarily to our data deal offerings, which are not included as a component of deferred revenue and that the Company expects to recognize over a five year period. In certain of the Company's data deal contracts, the Company has provided customers with the right to cancel. As of March 31, 2025, the total refund reserve related to these contracts is \$4.1 million and \$4.7 million and is recorded in Other current liabilities and Other non-current liabilities, respectively. Should these cancellation rights not be exercised, this refund reserve would convert to revenue. For the three months ended March 31, 2025, the Company recognized \$4.2 million of revenue from the reversal of refund reserves.

(12) Other Income, net

The following table presents a summary of the Company's other income and expense activity included in the accompanying Consolidated Statements of Operations for the three months ended March 31, 2025 and 2024 (in thousands):

	Three Months Ended March 31,	
	2025	2024
Foreign currency (loss) / gain	\$ 320	\$ (592)
Interest income, unrealized gain on investments, and other	14,195	4,798
Total other income, net	\$ 14,515	\$ 4,206

(13) Income Taxes

The Company's effective tax rates were 8.5% and 20.9% for the three months ended March 31, 2025 and 2024, respectively. For the three months ended March 31, 2025, the net effect of discrete items decreased the effective tax rate by 19.6%. Excluding these items, the Company's effective tax rate would have been 28.1% for the three months ended March 31, 2025.

For the three months ended March 31, 2024, the net effect of discrete items increased the effective tax rate by 1.5%. Excluding these items, the Company's effective tax rate would have been 19.4% for the three months ended March 31, 2024.

The Company has computed the provision for income taxes based on the estimated annual effective tax rate excluding loss jurisdictions with no tax benefit and the application of discrete items, if any, in the applicable period.

During the three months ended March 31, 2025 and 2024, uncertain tax positions recorded by the Company were not material. To the extent the remaining uncertain tax positions are ultimately recognized, the Company's effective tax rate may be impacted in future periods.

The Company recognizes interest expense and tax penalties related to unrecognized tax benefits in income tax expense in the Consolidated Statements of Operations. The Company's accrual for interest and penalties related to unrecognized tax benefits was not material for the three months ended March 31, 2025 and 2024.

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During the three months ended March 31, 2025, the Company had net cash taxes refunded of \$0.6 million and during the three months ended March 31, 2024, the Company had net cash taxes paid of \$2.9 million.

(14) Net Income Per Share

Basic net income per share is computed using the weighted average number of shares of common stock outstanding for the period, excluding unvested RSUs and stock options. Diluted net income per share is based upon the weighted average shares of common stock outstanding for the period plus dilutive potential shares of common stock, including unvested RSUs and stock options using the treasury stock method.

The following table sets forth the computation of basic and diluted net income per share for the three months ended March 31, 2025 and 2024 (in thousands):

	Three Months Ended March 31,	
	2025	2024
Net income	\$ 18,688	\$ 16,121
Shares used to compute basic net income per share	34,890	35,591
Dilutive potential common shares		
Stock options	—	84
Unvested restricted stock awards	432	391
Shares used to compute diluted net income per share	35,322	36,066
Basic net income per share	\$ 0.54	\$ 0.45
Diluted net income per share	\$ 0.53	\$ 0.45
Dilutive shares included in the calculation	827	1,357
Anti-dilutive shares excluded from the calculation	2,125	665

(15) Segment and Geographic Information

The Company is currently organized and operates as one operating and reportable segment on a consolidated basis. The Company's revenues are supported by its searchable creative platform and driven by its large contributor network. The Company's chief executive officer, who is its chief operating decision maker ("CODM"), evaluates the performance of the Company's operating segment based on net income. The CODM considers budget-to-actual variances when making decisions about capital allocation to the segment. Asset information is not provided to the Company's CODM as that information is not used in the determination of resource allocation or in assessing the performance of the Company's segment.

The following table reconciles the company's revenues and significant operating expense categories used to evaluate the business and allocate resources to Net income:

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(in thousands)	Three Months Ended March 31,	
	2025	2024
Revenue	\$ 242,620	\$ 214,315
Less:		
Technology costs	20,069	16,104
Advertising costs	21,663	26,125
Adjusted cost of revenue ¹	89,432	78,323
Adjusted sales and marketing ¹	30,522	28,887
Adjusted product and development ¹	16,721	19,501
Adjusted general and administrative ¹	54,012	28,629
Total operating expenses	232,419	197,569
Income from operations	10,201	16,746
Interest expense	(4,298)	(562)
Other income, net	14,515	4,206
Income before income taxes	20,418	20,390
Provision for income taxes	1,730	4,269
Net income	18,688	16,121

¹Excludes technology and advertising costs

The following represents the Company's depreciation and amortization by expense category:

(\$ in thousands)	Three Months Ended March 31,	
	2025	2024
Cost of revenue	\$ 20,742	\$ 19,874
General and administrative	1,929	1,389
Total depreciation and amortization	\$ 22,671	\$ 21,263

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

	Three Months Ended March 31,	
	2025	2024
North America	\$ 120,208	\$ 110,427
Europe	66,179	55,400
Rest of the world	56,233	48,488
Total revenue	\$ 242,620	\$ 214,315

The United States, included in North America in the above table, accounted for 39% and 49% of consolidated revenue for the three months ended March 31, 2025 and 2024, respectively. No other country accounts for more than 10% of the Company's revenue in any period presented.

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

	As of March 31, 2025	As of December 31, 2024
North America	\$ 42,826	\$ 45,354
Europe	17,260	17,175
Rest of the world	5,538	3,871
Total long-lived tangible assets	<u>\$ 65,624</u>	<u>\$ 66,400</u>

The United States, included in North America in the above table, accounted for 61% and 64% of total long-lived tangible assets as of March 31, 2025 and December 31, 2024, respectively. Ireland, included in Europe in the above table, accounted for 21% and 20% of total long-lived tangible assets as of March 31, 2025 and December 31, 2024, respectively. No other country accounts for more than 10% of the Company's long-lived tangible assets in any period presented.

(16) Commitments and Contingencies

Unconditional purchase obligations and other obligations

As of March 31, 2025, the Company had total other non-lease obligations in the amount of approximately \$40.4 million, which consisted primarily of minimum royalty guarantees and unconditional purchase obligations related to contracts for infrastructure and other business services. As of March 31, 2025, the Company's other obligations for the remainder of 2025 and for the years ending December 31, 2026, and 2027 were approximately \$28.2 million, \$10.3 million, and \$1.9 million, respectively.

Legal Matters

From time to time, the Company may become party to litigation in the ordinary course of business, including direct claims brought by or against the Company with respect to intellectual property, contracts, employment and other matters, as well as claims brought against the Company's customers for whom the Company has a contractual indemnification obligation. The Company assesses the likelihood of any adverse judgments or outcomes with respect to these matters and determines loss contingency assessments on a gross basis after assessing the probability of incurrence of a loss and whether a loss is reasonably estimable. In addition, the Company considers other relevant factors that could impact its ability to reasonably estimate a loss. A determination of the amount of reserves required, if any, for these contingencies is made after analyzing each matter. The Company reviews reserves, if any, at least quarterly and may change the amount of any such reserve in the future due to new developments or changes in strategy in handling these matters. Although the results of litigation and threats of litigation, investigations and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these matters will not have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors. The Company currently has no material active litigation matters and, accordingly, no material reserves related to litigation.

Customer Indemnifications

In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to customers with respect to certain matters, including, but not limited to, losses arising out of the breach of the Company's intellectual property warranties for damages to the customer directly attributable to the Company's breach. The Company is not responsible for any damages, costs, or losses to the extent such damages, costs or losses arise as a result of the modifications made by the customer, or the context in which an image is used. The standard maximum aggregate obligation and liability to any one customer for all claims is generally limited to ten thousand dollars. The Company offers certain of its customers greater levels of indemnification, including unlimited indemnification, and believes that it has appropriate insurance coverage in place to adequately cover indemnification claims, if necessary. As of and for the three months ended March 31, 2025, the Company made no material payments for losses on customer indemnification claims and recorded no liabilities related to indemnification for loss contingencies, before considering any insurance recoveries.

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

Employment Agreements and Indemnification Agreements

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

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and related notes contained elsewhere in this Quarterly Report on Form 10-Q and with information contained in our other filings, including the audited consolidated financial statements included in our 2024 Form 10-K.

In addition to historical consolidated financial information, this discussion contains forward-looking statements including statements about our plans, estimates and beliefs. These statements involve risks and uncertainties and our actual results could differ materially from those expressed or implied in forward-looking statements. See “Forward Looking Statements” above and the “Risk Factors” disclosures contained in our 2024 Form 10-K for additional discussion of the risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements.

Merger Agreement with Getty Images

On January 6, 2025, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) to combine in a merger-of-equals transaction with Getty Images Holdings, Inc. (NYSE:GETY) (“Getty Images”) (such transaction referred to herein as the “Merger”). Subject to terms and conditions in the Merger Agreement, the aggregate consideration to be paid by Getty Images in respect of the outstanding shares of common stock of Shutterstock will be:

- (a) An amount in cash equal to the product of \$9.50 multiplied by the number of shares of Shutterstock common stock outstanding immediately prior to the transaction close (including vested Shutterstock restricted stock units and performance stock units); and
- (b) A number of shares of Getty Images common stock equal to the product of 9.17 multiplied by the number of shares of Shutterstock common stock outstanding immediately prior to the transaction close (including vested Shutterstock restricted stock units and performance stock units).

Each holder of shares of Shutterstock common stock immediately prior to the transaction close will have the option to receive, subject to proration, for each share of Shutterstock common stock held by such holder:

- (a) Cash consideration of \$9.50 and 9.17 shares of Getty Images common stock (a “Mixed Election”);
- (b) Cash consideration of \$28.8487; or
- (c) 13.67237 shares of Getty Images common stock.

If no election is made by a holder, each of such holder’s shares of Shutterstock common stock shall be treated as having made a Mixed Election.

The Merger is subject to the satisfaction of customary closing conditions, further described below, including receipt of required regulatory approvals, the approval of Shutterstock stockholders and the extension or refinancing of Getty Images’ existing debt obligations. Subject to the satisfaction of the closing conditions, upon closing of the Merger, Shutterstock’s common stock will be delisted from the NYSE and deregistered under the Securities Exchange Act of 1934, as amended. The closing of the Merger is subject to the satisfaction or waiver of certain closing conditions, including:

- adoption of the Merger Agreement by Shutterstock stockholders (the “Shutterstock Stockholder Approval”) and the Getty Images stockholder approval, which condition was subsequently satisfied by the Getty Images stockholder written consent;
- Getty Images’ registration statement on Form S-4 to be filed in connection with the Merger having become effective and the mailing of an information statement to Getty Images stockholders at least 20 business days prior to the closing, which condition was subsequently satisfied on April 30, 2025;
- absence of any order, injunction or other order or law in certain jurisdictions prohibiting the Merger or making the closing of the Merger illegal;
- expiration of the applicable waiting period (and extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of other regulatory approvals deemed necessary or advisable;
- shares of Getty Images common stock to be issued in connection with the Merger having been approved for listing on the NYSE;
- accuracy of each party’s representations and warranties, subject to certain standards set forth in the Merger Agreement;

- performance and compliance in all material respects of each party’s agreements and covenants under the Merger Agreement;
- absence of any Getty Images material adverse effect or Shutterstock material adverse effect, as applicable and subject to the definitions thereof in the Merger Agreement;
- delivery of an opinion of tax counsel that the Second Merger and the Third Merger as defined in the Merger Agreement, taken together, will qualify as a “reorganization” within the meaning of section 368(a) of the Internal Revenue Code of 1986, as amended; and
- Getty Images having amended or otherwise refinanced its existing term loans and senior notes to extend the maturity of each to no earlier than February 19, 2028.

Overview and Recent Developments

Shutterstock, Inc. (referred to herein as the “Company”, “we,” “our,” and “us”) is a leading global creative platform connecting brands and businesses to high quality content.

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

Digital content licensed to our customers for their creative needs includes images, footage, music, and 3D models (our “Content” offering). Our Content revenues represent the majority of our business and are supported by our searchable creative platform and driven by our large contributor network.

In addition, our customers have needs that are beyond traditional content license products and services. These include (i) licenses to metadata associated with our images, footage, music tracks and 3D models through our data offering, (ii) distribution and advertising services from our Giphy business, which consists of GIFs (graphics interchange format visuals) that serve as a critical ingredient in text- and message- based conversations and in contextual advertising settings, (iii) specialized solutions for high-quality content matched with production tools and services through Shutterstock Studios and (iv) other tailored white-glove services (collectively, our “Data, Distribution, and Services” offerings).

Our Content Offering

Our Content offering includes licenses for:

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

Our Content is distributed to customers under the following brands: Shutterstock; Pond5; TurboSquid; PicMonkey; PremiumBeat; Splash News; Bigstock; Envato; and Offset. Shutterstock, our flagship brand, includes various content types such as image, footage, music and editorial.

Pond5 is a video-first content marketplace which expands the Company’s content offerings across footage, image and music. TurboSquid operates a marketplace that offers more than one million 3D models and a 2 dimensional (“2D”) marketplace derived from 3D objects. PicMonkey is a leading online graphic design and image editing platform. PremiumBeat offers exclusive high-quality music tracks and provides producers, filmmakers and marketers the ability to search handpicked

production music from the world's leading composers. Splash News provides editorial image and video content across celebrity and red carpet events. Bigstock maintains a separate content library tailored for creators seeking to incorporate cost-effective imagery into their projects. Our Offset brand provides authentic and exceptional content for high-impact use cases that require extraordinary images, featuring work from top assignment photographers and illustrators from around the world.

In 2024, we completed the acquisitions of Backgrid and Envato. The Company believes that Backgrid expands Shutterstock Editorial's Newsroom offerings of editorial images, and Envato enhances digital creative assets and templates.

Our Data, Distribution, and Services Offering:

Our Data, Distribution, and Services offering addresses customer demand for products and services that are beyond our Content licenses. These products and services include, among other things, the use of our metadata, leveraging our Giphy, Inc. platform, and customized Shutterstock Studios offerings.

We have seen increased demand for access to our metadata for machine learning and generative artificial intelligence model training. We offer ethically sourced and licenseable metadata at industry leading scales and quality. Our metadata customer base ranges from large technology and media companies to smaller start-up organizations.

Our Data, Distribution, and Services offering also includes high-quality production and custom content at scale provided by Shutterstock Studios ("Studios"). Studios is a cost-effective solution for brands and agencies looking to meet their content needs and create fresh dynamic digital assets. Customers can bring an idea, and our Studios team will provide a 360-degree content creation solution. We offer a whole spectrum of services at pre-production, production, live production and post-production stages.

Key Operating Metrics

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

Subscribers, subscriber revenue and average revenue per customer from acquisitions are included in these metrics beginning twelve months after the closing of the respective business combination. Accordingly, the metrics include Average Revenue per Customer from Giphy beginning July 2024 and Subscribers, Subscriber revenue, and Average revenue per customer from Backgrid beginning February 2025. 2025 metrics include the counts and revenues from Envato for the three months ended March 31, 2025, which was acquired in July 22, 2024.

Subscribers

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

Subscriber Revenue

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

Average Revenue Per Customer

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

Paid Downloads

We define paid downloads as the number of downloads that our customers make in a given period of our content. Paid downloads exclude content related to our Studios business, downloads of content that are offered to customers for no charge (including our free trials), and metadata delivered through our data deal offering. Measuring the number of paid downloads that our customers make in a given period is important because it is a measure of customer engagement on our platform and triggers the recognition of revenue and contributor royalties.

The following tables summarize our key operating metrics, which are unaudited, for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,	
	2025	2024
Subscribers (end of period) ¹	1,079,000	499,000
Subscriber revenue (in millions) ¹	\$ 109.9	\$ 83.9
Average revenue per customer (last twelve months) ¹	\$ 244	\$ 418
Paid downloads (in millions)	120.9	35.0

¹ Subscribers, Subscriber Revenue and Average Revenue Per Customer from acquisitions are included in these metrics beginning twelve months after the closing of the respective business combination. Accordingly, the metrics include Average Revenue per Customer from Giphy beginning July 2024 and Subscribers, Subscriber revenue, and Average revenue per customer from Backgrid beginning February 2025. 2025 metrics include the counts and revenues from Envato for the three months ended March 31, 2025, which was acquired in July 22, 2024.

Critical Accounting Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of the consolidated financial statements in conformity with GAAP requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure or inclusion of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to allowance for doubtful accounts, the volume of expected unused licenses used in revenue recognition for our subscription-based products, the fair value of acquired goodwill and intangible assets and income tax provisions. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Therefore, we consider these to be our critical accounting estimates. Actual results could differ from those estimates.

A description of our critical accounting policies that involve significant management judgments appears in our 2024 Form 10-K, under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates.”

See Note 3 to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a full description of the impact of the adoption of new accounting standards on our financial statements. There have been no material changes to our critical accounting estimates as compared to our critical accounting policies and estimates included in our 2024 Form 10-K.

Key Components of Our Results of Operations

Revenue

We distribute our product offerings through two primary channels:

Content: The majority of our customers license image, video, music and 3D content for commercial purposes either directly through our self-service web properties or through our dedicated sales teams. Content customers have the flexibility to purchase subscription-based plans that are paid on a monthly or annual basis. Customers are also able to license content on a transactional basis. These customers generally license content under our standard or enhanced licenses, with additional licensing options available to meet customers' individual needs. Certain content customers also have unique content, licensing and workflow needs. These customers communication with dedicated sales professionals, service and research teams which provide a number of tailored enhancements to their creative workflows including non-standard licensing rights, multi-seat access, ability to pay on credit terms, multi-brand licensing packages, increased indemnification protection and content licensed for use-cases outside of those available on the e-commerce platform.

Data, Distribution, and Services: Our Data, Distribution, and Services offering addresses customer demand for products and services that are beyond our stock image, footage music and 3D model licenses. We have seen increased demand for access to our metadata for machine learning and generative artificial intelligence model training. We offer ethically sourced and licensable metadata at unique scales and quality. Our metadata customer base ranges from large technology and media companies to smaller start-up organizations.

Our Data, Distribution, and Services offering also includes high-quality production and custom content at scale provided by Shutterstock Studios ("Studios"). Studios is a cost-effective solution for brands and agencies looking to meet their content needs and create fresh dynamic digital assets. Customers can bring an idea, and our Studios team will provide a 360-degree content creation solution. We offer a whole spectrum of services at pre-production, production and post-production stages.

The Company's revenues by distribution channel for the three months ended March 31, 2025 and 2024 are as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Content	\$ 202,888	\$ 173,830
Data, Distribution, and Services	39,732	40,485
Total Revenues	\$ 242,620	\$ 214,315

Costs and Expenses

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

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

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

General and Administrative. General and administrative expenses include employee compensation, including non-cash equity-based compensation, bonuses and benefits for executive, finance, accounting, legal, human resources, internal

information technology, internet security, business intelligence and other administrative personnel. In addition, general and administrative expenses include outside legal, tax and accounting services, bad debt expense, insurance, facilities costs, other supporting overhead costs and depreciation and amortization expense.

Interest Expense. Interest expense consists of interest on our debt and amortization of deferred financing fees.

Other Income, Net. Other income, net consists of non-operating costs such as foreign currency transaction gains and losses, in addition to unrealized gains and losses on investments and interest income and expense.

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

Results of Operations

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

	Three Months Ended March 31,	
	2025	2024
(in thousands)		
Consolidated Statements of Operations:		
Revenue	\$ 242,620	\$ 214,315
Operating expenses:		
Cost of revenue	100,888	88,204
Sales and marketing	53,359	56,236
Product development	19,865	21,051
General and administrative	58,307	32,078
Total operating expenses	232,419	197,569
Income from operations	10,201	16,746
Interest expense	(4,298)	(562)
Other income, net	14,515	4,206
Income before income taxes	20,418	20,390
Provision for income taxes	1,730	4,269
Net income	\$ 18,688	\$ 16,121

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

	Three Months Ended March 31,	
	2025	2024
Consolidated Statements of Operations:		
Revenue	100 %	100 %
Operating expenses:		
Cost of revenue	42 %	41 %
Sales and marketing	22 %	26 %
Product development	8 %	10 %
General and administrative	24 %	15 %
Total operating expenses	96 %	92 %
Income from operations	4 %	8 %
Interest expense	(2)%	— %
Other income, net	6 %	2 %
Income before income taxes	8 %	10 %
Provision for income taxes	1 %	2 %
Net income	8 %	8 %

Note: Due to rounding, percentages may not sum to totals.

Comparison of the Three Months Ended March 31, 2025 and 2024

The following table presents our results of operations for the periods indicated (in thousands):

	Three Months Ended March 31,			
	2025	2024	\$ Change	% Change
Consolidated Statements of Operations:				
Revenue	\$ 242,620	\$ 214,315	\$ 28,305	13 %
Operating expenses:				
Cost of revenue	100,888	88,204	12,684	14
Sales and marketing	53,359	56,236	(2,877)	(5)
Product development	19,865	21,051	(1,186)	(6)
General and administrative	58,307	32,078	26,229	82
Total operating expenses	232,419	197,569	34,850	18
Income from operations	10,201	16,746	(6,545)	(39)
Interest expense	(4,298)	(562)	(3,736)	665
Other income, net	14,515	4,206	10,309	245
Income before income taxes	20,418	20,390	28	—
Provision for income taxes	1,730	4,269	(2,539)	(59)
Net income	\$ 18,688	\$ 16,121	\$ 2,567	16 %

Revenue

Revenue increased by \$28.3 million, or 13%, to \$242.6 million for the three months ended March 31, 2025, compared to the same period in 2024. On a constant currency basis, revenue increased 14% in the three months ended March 31, 2025, compared to the same period in 2024. The increase was largely attributable to revenue recognized from Envato, which we did not have in the same period in 2024.

The Company's Content revenues increased by 17%, to \$202.9 million in the three months ended March 31, 2025, compared to the same period in 2024. Content revenue was not impacted by foreign currency fluctuations in the three months ended March 31, 2025, compared to the same period in 2024. During the three months ended March 31, 2025, growth in our Content revenue was driven by the contribution of Envato, which was acquired on July 22, 2024. The increase was partially offset by a reduction in Content revenue generated from Shutterstock's content offering due to weakness in new customer acquisition.

The Company's Data, Distribution, and Services revenues decreased by 2%, to \$39.7 million in the three months ended March 31, 2025, compared to the same period in 2024. Data, Distribution, and Services revenues were not impacted by foreign currency fluctuations in the three months ended March 31, 2025, compared to the same period in 2024. The decrease in Data, Distribution, and Services revenues was driven by a decline in our data offering, which was offset by growth in our Distribution and Services offerings.

Changes in our revenue by region were as follows: revenue from North America increased by \$9.8 million, or 9%, to \$120.2 million, revenue from Europe increased by \$10.8 million, or 19%, to \$66.2 million and revenue from outside Europe and North America increased by \$7.7 million, or 16%, to \$56.2 million, in the three months ended March 31, 2025 compared to the same period in 2024.

Costs and Expenses

Cost of Revenue. Cost of revenue increased by \$12.7 million to \$100.9 million in the three months ended March 31, 2025 compared to the same period in 2024. As a percentage of revenue, cost of revenue increased to 42% for the three months ended March 31, 2025, from 41% for the same period in 2024. This increase was driven by increased royalties, content expenses, employee-related costs, and website hosting fees, primarily driven by the acquisition of Envato. These amounts were partially offset by a decrease in recurring and non-recurring Giphy Retention Compensation. We expect that our cost of revenue will continue to fluctuate in-line with changes in revenue.

Sales and Marketing. Sales and marketing expenses decreased by \$2.9 million, or 5%, to \$53.4 million in the three months ended March 31, 2025 compared to the same period in 2024. As a percentage of revenue, sales and marketing expenses decreased to 22% for the three months ended March 31, 2025, from 26% for the same period in 2024. This was driven by a decrease in brand and performance-based marketing expenses and a decrease in consultant expenses. In addition, there was a

\$0.4 million increase from recurring Giphy Retention Compensation expenses and an increase in employee-related costs driven by the acquisition of Envato. We expect sales and marketing expenses to continue to fluctuate as we optimize our sales channels and invest in new customer acquisition, products and geographies.

Product Development. Product development expenses decreased by \$1.2 million to \$19.9 million in the three months ended March 31, 2025 compared to the same period in 2024. The decrease in product development was driven by decreases of \$1.5 million and \$4.0 million from recurring and non-recurring Giphy Retention Compensation expenses, respectively. These costs were partially offset by increases in employee-related costs and software licenses driven by the acquisition of Envato. We expect product development expenses, of which a portion will be capitalized, to continue in the foreseeable future, as we pursue opportunities to invest in developing new products and internal tools and enhance the functionality of our existing products and technologies.

General and Administrative. General and administrative expenses increased by \$26.2 million to \$58.3 million in the three months ended March 31, 2025 compared to the same period in 2024. This increase was driven by \$11.9 million associated with the Getty merger and increases in professional fees, employee-related costs, bad debt expenses, and other general and administrative expenses attributed to the addition of Envato. In addition, there was a \$0.4 million increase and a \$1.6 million decrease from recurring and non-recurring Giphy Retention Compensation expenses, respectively.

Interest Expense. In the three months ended March 31, 2025 and March 31, 2024, we recognized interest expense of \$4.3 million and \$0.6 million, respectively, related to our credit facility and the amortization of deferred financing fees. Interest expense for the three months ended March 31, 2025 increased due to the borrowings under A&R Credit Agreement entered into during the quarter ended September 30, 2024 to fund the acquisition of Envato.

Other Income, Net. In the three months ended March 31, 2025, other income, net was driven by \$13.3 million of unrealized gains related to our investment in Meitu, Inc. In addition, other income, net had \$0.9 million of interest income and \$0.3 million of unrealized foreign currency gains. In the three months ended March 31, 2024, other income, net was primarily driven by \$3.8 million of unrealized gains related to our investment in Meitu, Inc. In addition, other income, net had \$4.8 million of interest income and \$0.6 million of unrealized foreign currency losses. As we increase the volume of business transacted in foreign currencies resulting from international expansion and as currency rates fluctuate, we expect foreign currency gains and losses to continue to fluctuate.

Income Taxes. The income tax benefit decreased by \$2.5 million for the three months ended March 31, 2025, compared to the same period in 2024. Our effective tax rates were 8.5% and 20.9% for the three months ended March 31, 2025 and 2024, respectively.

For the three months ended March 31, 2025, the net effect of discrete items decreased the effective tax rate by 19.6%. The discrete items for the three months ended March 31, 2025 primarily relate to decreases for the UK valuation allowance and tax reserve releases. Excluding discrete items, our effective tax rate would have been 28.1% for the three months ended March 31, 2025.

For the three months ended March 31, 2024, the net effect of discrete items increased the effective tax rate by 1.5%. Excluding discrete items, our effective tax rate would have been 19.4% for the three months ended March 31, 2024.

As we continue to expand our operations outside of the United States, we have been and may continue to become subject to taxation in additional non-U.S. jurisdictions and our effective tax rate could fluctuate accordingly.

Quarterly Trends

Our operating results have in the past fluctuated from quarter to quarter as a result of a variety of factors, including the effects of some seasonal trends in customer behavior, timing of acquisitions and the timing of revenue recognition associated with data deal partnerships. For example, for the Content business, we expect that certain customers' usage may decrease at times during the third quarter of each calendar year due to the summer vacation season and may increase at times during the fourth quarter of each calendar year as demand is generally higher to support marketing campaigns in advance of the fourth quarter holiday season. While we believe seasonal trends have affected and will continue to affect our quarterly results, our growth trajectory may have overshadowed these effects to date.

In addition, expenditures on content by customers tend to be discretionary in nature, reflecting overall economic conditions, the economic prospects of specific industries, budgeting constraints, buying patterns and a variety of other factors, many of which are outside our control. As a result of these and other factors, the results of any prior quarterly or annual periods should not be relied upon as indicators of our future operating performance.

Liquidity and Capital Resources

As of March 31, 2025, we had cash and cash equivalents totaling \$112.2 million which consisted primarily of bank balances. Since inception, we have financed our operations primarily through cash flows generated from operations. In addition, if necessary, we have the ability to draw on our A&R Credit Agreement dated July 22, 2024.

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

Dividends

We declared and paid cash dividends of \$0.33 per share of common stock, or \$11.5 million during the three months ended March 31, 2025.

On April 21, 2025, our Board of Directors declared a quarterly cash dividend of \$0.33 per share of outstanding common stock payable on June 19, 2025 to stockholders of record at the close of business on June 5, 2025. Future declarations of dividends are subject to the final determination of our Board of Directors, and will depend on, among other things, our future financial condition, results of operations, capital requirements, capital expenditure requirements, contractual restrictions, anticipated cash needs, business prospects, provisions of applicable law and other factors our Board of Directors may deem relevant.

Share Repurchase Program

In June 2023, our Board of Directors approved a share repurchase program (the "Share Repurchase Program"), providing authorization to repurchase up to \$100 million of our common stock.

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

As of March 31, 2025, we have repurchased approximately 5.5 million shares of our common stock under the Share Repurchase Program at an average per-share cost of \$48.86. During the three months ended March 31, 2025 and 2024, we did not repurchase shares of our common stock. As of March 31, 2025, we had \$30 million of remaining authorization for repurchases under the Share Repurchase Program.

Credit Facility and A&R Credit Agreement

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

On July 22, 2024, we entered into an amended and restated credit agreement (the “A&R Credit Agreement”), which was entered into among us, as borrower, certain direct and indirect subsidiaries of our as guarantors, the lenders party thereto, and Bank of America, N.A., as Administrative Agent for the lenders. The A&R Credit Agreement provides for a five-year (i) senior unsecured term loan facility (the “Term Loan”) in an aggregate principal amount \$125 million and (ii) senior unsecured revolving credit facility (the “Revolver”) in an aggregate principal amount of \$250 million. The A&R Credit Agreement provides for a letter of credit subfacility and a swingline facility.

At our option, loans under the A&R Credit Agreement accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.375% to 0.750%, determined based on our consolidated leverage ratio or (ii) the Term Secured Overnight Financing Rate (“SOFR”) (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.375% to 1.750%, determined based on our consolidated leverage ratio, plus a credit spread of 0.100%. We are also required to pay an unused commitment fee ranging from 0.175% to 0.250%, determined based on our consolidated leverage ratio. In connection with the execution of this agreement, we paid debt issuance costs of approximately \$2.2 million.

The A&R Credit Agreement replaces our existing Credit Facility, which was fully repaid and terminated upon the effectiveness of the A&R Credit Agreement. In connection with the closing of the Credit Facility, we repaid \$30 million of existing outstanding borrowings and accrued interest.

As of March 31, 2025, we had a remaining borrowing capacity of \$94 million, net of standby letters of credit.

The A&R Credit Agreement contains financial covenants and requirements restricting certain of our activities, which are customary for this type of credit facility. We are also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio, in each case, determined in accordance with the terms of the A&R Credit Agreement. As of March 31, 2025, we were in compliance with these covenants.

Our outstanding debt (in thousands) is reflected in the table below. We classify the Revolver as a current liability since we could draw upon and repay the outstanding amount as needed. The maturity of the Revolver is in 2029.

Our debt consists of the following (in thousands):

	As of March 31, 2025	As of December 31, 2024
Current Debt:		
Revolver - A&R Credit Agreement	155,000	155,000
Term Loan - A&R Credit Agreement	3,107	3,106
Non-Current Debt:		
Term Loan - A&R Credit Agreement	118,858	119,598

Based on Level 2 inputs, the carrying value of our debt approximates its fair value, as borrowings are subject to variable interest rates that adjust with changes in market rates and market conditions and the current interest rate approximates that which would be available under similar financial arrangements.

For the three months ended March 31, 2025, we recognized interest expense of \$4.3 million. As of March 31, 2025, unamortized debt issuance cost related to the Term Loan - A&R Credit Agreement is \$0.7 million.

Sources and Uses of Funds

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

As of March 31, 2025, we had approximately \$40 million in unconditional cash obligations, consisting primarily of purchase obligations related to contracts for cloud-based services, infrastructure and other business services as well as minimum royalty guarantees in connection with certain content licenses, of which the majority is due to be paid within the next two years. In addition, as of March 31, 2025, we had approximately \$34 million in operating lease obligations with lease payments extending through 2029.

See Note 16 to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding our existing capital commitments as of March 31, 2025.

Cash Flows

The following table summarizes our cash flow data for the three months ended March 31, 2025 and 2024 (in thousands):

	Three Months Ended March 31,	
	2025	2024
Net cash provided by operating activities	\$ 25,247	\$ 8,300
Net cash used in investing activities	\$ (11,234)	\$ (16,528)
Net cash used in financing activities	\$ (15,821)	\$ (18,629)

Operating Activities

Our primary source of cash from operating activities is cash collections from our customers. The majority of our revenue is generated from credit card transactions and is typically settled within one to five business days. Our primary uses of cash for operating activities are for the payment of royalties to content contributors, employee-related expenditures and the payment of other operating expenses incurred in the ordinary course of business.

Net cash provided by operating activities was \$25.2 million for the three months ended March 31, 2025, compared to Net cash provided by operating activities of \$8.3 million for the three months ended March 31, 2024. In the three months ended March 31, 2025, operating cash flows were unfavorably impacted from payments of year-end bonuses and commissions, which are typical first quarter cash outflows. In addition, operating cash flows included a \$17.9 million decrease in the recurring and non-recurring payments made to the Giphy workforce, the reimbursement of which is reflected in Investing Activities on the Statement of Cash Flows.

Operating cash flows for the three months ended March 31, 2024 were unfavorably impacted from payments of year-end bonuses and commissions, which are typical first quarter cash outflows. In addition, operating cash flows for the three months ended March 31, 2024 were unfavorably impacted by the recurring and non-recurring payments made to the Giphy workforce, the reimbursement of which is reflected in Investing Activities on the Statement of Cash Flows.

Investing Activities

Cash used in investing activities for the three months ended March 31, 2025 was \$11.2 million, consisting primarily of (i) capital expenditures of \$10.8 million for internal-use software and website development costs and purchases of software and equipment; and (ii) \$0.9 million paid to acquire the rights to distribute certain digital content into perpetuity. These cash outflows were partially offset by \$0.5 million of Giphy Retention Compensation, as reimbursed by the Giphy seller.

Cash used in investing activities in the three months ended March 31, 2024 was \$16.5 million, consisting primarily of (i) \$19.5 million used in the acquisition of Backgrid, net of cash acquired, (ii) capital expenditures of \$14.5 million for internal-use software and website development costs and purchases of software and equipment, and (iii) \$1.0 million paid to acquire the rights to distribute certain digital content in perpetuity. These cash outflows were partially offset by (i) \$18.4 million of Giphy Retention Compensation, as reimbursed by the Giphy seller.

Financing Activities

Cash used in financing activities for the three months ended March 31, 2025 was \$15.8 million, consisting of (i) \$11.5 million, related to the payment of the quarterly cash dividend; (ii) \$3.5 million paid in the settlement of tax withholding obligations related to employee stock-based compensation awards; and (ii) \$0.8 million used for the repayment of our Credit Facility.

Cash used in financing activities in the three months ended March 31, 2024 was \$18.6 million, consisting of (i) \$10.7 million related to the payment of the quarterly cash dividend; and (ii) \$8.0 million paid in settlement of tax withholding obligations related to employee stock-based compensation awards.

Non-GAAP Financial Measures

To supplement our consolidated financial statements presented in accordance with the accounting principles generally accepted in the United States, or GAAP, our management considers certain financial measures that are not prepared in accordance with GAAP, collectively referred to as non-GAAP financial measures, including adjusted net income, adjusted net income per diluted common share, adjusted EBITDA, adjusted EBITDA margin, revenue growth (including by product offering) on a constant currency basis (expressed as a percentage), and adjusted free cash flow. These non-GAAP financial measures are included solely to provide investors with additional information regarding our financial results and are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly-titled measures presented by other companies.

	Three Months Ended March 31,	
	2025	2024
Non-GAAP Financial Measures (in thousands):		
Adjusted net income	\$ 36,291	\$ 33,121
Adjusted EBITDA	\$ 63,363	\$ 55,977
Adjusted free cash flow	\$ 23,384	\$ 11,246
Revenue growth on a constant currency basis	14 %	— %

These non-GAAP financial measures have not been calculated in accordance with GAAP, should be considered only in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP measures. In addition, adjusted net income, adjusted net income per diluted common share, adjusted EBITDA, adjusted EBITDA margin, revenue growth (including by product offering) on a constant currency basis (expressed as a percentage) and adjusted free cash flow should not be construed as indicators of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that they fail to address. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

Our management uses these non-GAAP financial measures, in conjunction with GAAP financial measures, as an integral part of managing the business and to, among other things: (i) monitor and evaluate the performance of our 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 our management team and, together with other operational objectives, as a measure in evaluating employee compensation; (v) analyze and evaluate financial and strategic planning decisions regarding future operating investments; and (vi) plan for and prepare future annual operating budgets and determine appropriate levels of operating investments.

Management believes that adjusted net income, adjusted net income per diluted common share, adjusted EBITDA, adjusted EBITDA margin, revenue growth (including by product offering) on a constant currency basis (expressed as a percentage) and adjusted free cash flow are useful to investors because these measures enable investors to analyze Shutterstock's operating results on the same basis as that used by management. Additionally, management believes that adjusted net income, adjusted net income per diluted common share, adjusted EBITDA and adjusted EBITDA margin provide useful information to investors about the performance of the Company's overall business because such measures eliminate the effects of unusual or other infrequent charges that are not directly attributable to Shutterstock's underlying operating performance and revenue growth (including by product offering) on a constant currency basis (expressed as a percentage), provides useful information to investors by eliminating the effect of foreign currency fluctuations that are not directly attributable to Shutterstock's operating performance. Management also believes that providing these non-GAAP financial measures enhances the comparability for investors in assessing Shutterstock's financial reporting. Management believes that adjusted free cash flow is useful for investors because it provides them with an important perspective on the cash available for strategic measures, after making necessary capital investments in internal-use software and website development costs to support the Company's ongoing business operations and provides them with the same measures that management uses as the basis for making resource allocation decisions.

Our use of non-GAAP financial measures has limitations as an analytical tool, and these measures should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP, as the excluded items may have significant effects on our operating results and financial condition. Additionally, our methods for measuring non-GAAP

financial measures may differ from other companies' similarly titled measures. When evaluating our performance, these non-GAAP financial measures should be considered alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

Our method for calculating adjusted net income, adjusted net income per diluted common share, adjusted EBITDA, adjusted EBITDA margin, revenue growth (including by product offering) on a constant currency basis (expressed as a percentage) and adjusted free cash flow, as well as a reconciliation of the differences between each of our non-GAAP financial measures (adjusted EBITDA, adjusted net income, revenue growth (including by product offering) on a constant currency basis (expressed as a percentage) and adjusted free cash flow), and each measure's most directly comparable financial measure calculated and presented in accordance with GAAP, is presented below.

The expense associated with the Giphy Retention Compensation related to (i) the one-time employment inducement bonuses and (ii) the vesting of the cash value of unvested Meta equity awards held by the employees prior to closing, which are reflected in operating expenses (together, the "Giphy Retention Compensation Expense - non-recurring"), are required payments in accordance with the terms of the acquisition. Meta's sale of Giphy was directed by the CMA and accordingly, the terms of the acquisition were subject to CMA preapproval. Management considers the operating expense associated with these required payments to be unusual and non-recurring in nature. The Giphy Retention Compensation Expense - non-recurring is not considered ongoing expense necessary to operate the Company's business. Therefore, such expenses have been included in the below adjustments for calculating adjusted EBITDA, adjusted EBITDA margin, adjusted net income and adjusted net income per diluted common share. For the three months ended March 31, 2025, the Company also incurred \$4.8 million, of Giphy Retention Compensation expense related to recurring employee costs, which is included in operating expenses, and are not included in the below adjustments for calculating adjusted EBITDA, adjusted EBITDA margin, adjusted net income and adjusted net income per diluted common share.

Adjusted Net Income and Adjusted Net Income Per Diluted Common Share

We define adjusted net income as net income adjusted for the impact of non-cash equity-based compensation, the amortization of acquisition-related intangible assets, Giphy Retention Compensation Expense - non-recurring, unrealized gains and losses on investments, severance costs associated with strategic workforce optimizations, costs incurred associated with the Getty merger, and the estimated tax impact of such adjustments. We define adjusted net income per diluted common share as adjusted net income divided by weighted average diluted shares.

The following is a reconciliation of net income to adjusted net income for each of the periods indicated (in thousands, except per share data):

	Three Months Ended March 31,	
	2025	2024
Net income	\$ 18,688	\$ 16,121
Add / (less) Non-GAAP adjustments:		
Non-cash equity-based compensation	17,884	11,150
Tax effect of non-cash equity-based compensation ⁽¹⁾	(4,203)	(2,620)
Acquisition-related amortization expense ⁽²⁾	9,697	9,163
Tax effect of acquisition-related amortization expense ⁽¹⁾	(2,279)	(2,153)
Giphy Retention Compensation Expense - non-recurring	566	6,829
Tax effect of Giphy Retention Compensation Expense - non-recurring ⁽¹⁾	(133)	(1,605)
Merger related costs	11,861	—
Tax effect of Merger related costs ⁽¹⁾	(2,669)	—
Other ⁽³⁾	(13,080)	(3,766)
Tax effect of other ⁽¹⁾	(41)	2
Adjusted net income	<u>\$ 36,291</u>	<u>\$ 33,121</u>
Net income per diluted common share	\$ 0.53	\$ 0.45
Adjusted net income per diluted common share	\$ 1.03	\$ 0.92
Weighted average diluted shares	<u>35,322</u>	<u>36,066</u>

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

(2) Of these amounts, \$9.0 million and \$8.2 million are included in cost of revenue for the three months ended March 31, 2025 and 2024, respectively. The remainder of acquisition-related amortization expense is included in general and administrative expense in the Statement of Operations.

(3) Other consists of unrealized gains and losses on investments and severance costs associated with strategic workforce optimizations.

Adjusted EBITDA and Adjusted EBITDA Margin

We define adjusted EBITDA as net income adjusted for depreciation and amortization, non-cash equity-based compensation, Giphy Retention Compensation Expense - non-recurring, costs incurred associated with the Getty merger, foreign currency transaction gains and losses, severance costs associated with strategic workforce optimizations, unrealized gains and losses on investments, interest income and expense and income taxes. We define adjusted EBITDA margin as the ratio of adjusted EBITDA to revenue.

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

	Three Months Ended March 31,	
	2025	2024
Net income	\$ 18,688	\$ 16,121
Add / (less) Non-GAAP adjustments:		
Interest expense	4,298	562
Interest income	(935)	(1,043)
Provision for income taxes	1,730	4,269
Depreciation and amortization	22,671	21,263
EBITDA	\$ 46,452	\$ 41,172
Non-cash equity-based compensation	17,884	11,150
Giphy Retention Compensation Expense - non-recurring	566	6,829
Merger related costs	11,861	—
Foreign currency (gain) / loss	(320)	592
Unrealized gain on investment	(13,260)	(3,755)
Workforce optimization - severance	180	(11)
Adjusted EBITDA	\$ 63,363	\$ 55,977
Revenue	\$ 242,620	\$ 214,315
Net income margin	7.7 %	7.5 %
Adjusted EBITDA margin	26.1 %	26.1 %

Revenue Growth (including by product offering) on a Constant Currency Basis

We define revenue growth (including by product offering) on a constant currency basis (expressed as a percentage) as the increase in current period revenues over prior period revenues, utilizing fixed exchange rates for translating foreign currency revenues for all periods in the comparison.

	Three Months Ended March 31,	
	2025	2024
Reported revenue (in thousands)	\$ 242,620	\$ 214,315
Revenue growth	13 %	— %
Revenue growth on a constant currency basis	14 %	— %
Content reported revenue (in thousands)	\$ 202,888	\$ 173,830
Content revenue growth	17 %	(10)%
Content revenue growth on a constant currency basis	17 %	(10)%
Data, Distribution, and Services reported revenue (in thousands)	\$ 39,732	\$ 40,485
Data, Distribution, and Services revenue growth	(2)%	90 %
Data, Distribution, and Services revenue growth on a constant currency basis	(2)%	90 %

Adjusted Free Cash Flow

We define adjusted free cash flow as our net cash provided by operating activities, adjusted for capital expenditures, content acquisition, cash received related to Giphy Retention Compensation in connection with the acquisition of Giphy, and cash paid for Merger related costs.

The following is a reconciliation of net cash provided by operating activities to adjusted free cash flow for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2025	2024
(in thousands)		
Cash flow information:		
Net cash provided by operating activities	\$ 25,247	\$ 8,300
Net cash used in investing activities	\$ (11,234)	\$ (16,528)
Net cash used in financing activities	\$ (15,821)	\$ (18,629)
Adjusted free cash flow:		
Net cash provided by operating activities	\$ 25,247	\$ 8,300
Capital expenditures	(10,808)	(14,461)
Content acquisitions	(897)	(994)
Cash received related to Giphy Retention Compensation	492	18,401
Merger related costs	9,350	—
Adjusted Free Cash Flow	<u>\$ 23,384</u>	<u>\$ 11,246</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business, including risks related to foreign currency exchange rate fluctuation, interest rate fluctuation and inflation.

Foreign Currency Exchange Risk

Our sales to international customers are denominated in multiple currencies, including but not limited to the U.S. dollar, the euro, the British pound, the Australian dollar and the Japanese yen. Revenue denominated in foreign currencies as a percentage of total revenue was approximately 27% and 28% for the three months ended March 31, 2025 and 2024, respectively. Changes in exchange rates will affect our revenue and certain operating expenses to the extent that our revenue is generated and expenses are incurred in currencies other than the U.S. dollar. Royalties earned by and paid to contributors are denominated in the U.S. dollar and will not be affected by changes in exchange rates. Based on our foreign currency denominated revenue for the three months ended March 31, 2025, we estimate that a 10% change in the exchange rate of the U.S. dollar against all foreign currency denominated revenues would result in an approximately 3% impact on our revenue.

We have established foreign subsidiaries in various countries and have concluded that the functional currency of these entities is generally the local currency. Business transacted in currencies other than each entity's functional currency results in transactional gains and losses. Translation adjustments resulting from converting the foreign subsidiaries' financial statements into U.S. dollars are recorded as a component of accumulated other comprehensive loss in stockholders' equity. We do not currently enter into derivatives or other financial instruments in order to hedge our foreign currency exchange risk, but we may do so in the future.

Our historical revenue by currency is as follows (in thousands):

	Three Months Ended March 31,			
	2025		2024	
	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency
Euro	\$ 38,116	€ 35,852	\$ 33,280	€ 30,709
British pounds	14,703	£ 11,679	14,321	£ 11,359
All other non-U.S. currencies ⁽¹⁾	12,689		13,183	
Total foreign currency	65,508		60,784	
U.S. dollar	177,112		153,531	
Total revenue	<u>\$ 242,620</u>		<u>\$ 214,315</u>	

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

Interest Rate Fluctuation Risk

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

Amounts borrowed under the A&R Credit Agreement accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.375% to 0.750%, determined based on the Company's consolidated net leverage ratio or (ii) the Term SOFR rate (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.375% to 1.750%, determined based on the Company's consolidated net leverage ratio, plus a credit spread adjustment of 0.100%. A hypothetical 10% change in interest rates would not have a material impact on our interest expense as of March 31, 2025.

Inflation Risk

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2025. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. However, any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objective.

On July 22, 2024, the Company completed its acquisition of Envato Pty Ltd. ("Envato"). Management is currently integrating Envato into our operations and internal control processes and, pursuant to the SEC's guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the Company is excluding the internal control over financial reporting of Envato from its evaluation of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2025.

Based on the evaluation of our disclosure controls and procedures as of March 31, 2025, and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As mentioned above, the Company completed its acquisition of Envato on July 22, 2024. The Company is in the process of reviewing the internal control structure of Envato and, if necessary, will make appropriate changes as it integrates Envato into the Company's overall internal control over financial reporting process.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Although we are not currently a party to any material pending litigation, from time to time, third parties assert claims against us regarding intellectual property rights, employment matters, privacy issues and other matters arising during the ordinary course of business. Although we cannot be certain of the outcome of any litigation or the disposition of any claims, nor the amount of damages and exposure, if any, that we could incur, we currently believe that the final disposition of all existing matters will not have a material adverse effect on our business, results of operations, financial condition or cash flows. In addition, in the ordinary course of our business, we are also subject to periodic threats of lawsuits, investigations and claims. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2024 Form 10-K, which could materially affect our business, financial condition or future results. During the three months ended March 31, 2025, there were no material changes to these risk factors as described in our 2024 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

(c) Insider Trading Arrangements

During the quarter ended March 31, 2025, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended), adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (each as defined in Item 408(a) and (c), respectively, of Regulation S-K).

Item 6. Exhibits.

See the Exhibit Index, which immediately precedes the signature page of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger, dated as of January 6, 2025, by and among Getty Images, Merger Sub 2, Merger Sub 3, Shutterstock, HoldCo and Merger Sub L.
10.1	Voting and Support Agreement, dated as of January 6, 2025, by and between Getty Images and Jonathan Oringer.
10.2	Significant Stockholder Agreement, dated as of January 6, 2025, by and among Getty Images, the Getty Family Stockholders, the Koch Stockholder and Jonathan Oringer.
10.3	Letter Agreement, dated as of January 6, 2025, by and among Getty Images and the Getty Family Stockholders.
10.4	Letter Agreement, dated as of January 6, 2025, by and between Getty Images and the Koch Stockholder.
31.1#	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2#	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32#	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Filed herewith.

SIGNATURES

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 thereunto duly authorized.

SHUTTERSTOCK, INC.

Dated: May 2, 2025

By: /s/ Rik Powell
Rik Powell
Chief Financial Officer
(Principal Financial Officer)

Dated: May 2, 2025

By: /s/ Steven Ciardiello
Steven Ciardiello
Chief Accounting Officer
(Principal Accounting Officer)

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

I, Paul Hennessy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shutterstock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2025

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

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

I, Rik Powell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shutterstock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2025

By: /s/ Rik Powell
Rik Powell
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Shutterstock, Inc., for the quarterly period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Hennessy, as Chief Executive Officer of Shutterstock, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shutterstock, Inc.

Date: May 2, 2025

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

In connection with the Quarterly Report on Form 10-Q of Shutterstock, Inc., for the quarterly period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rik Powell, as Chief Financial Officer of Shutterstock, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shutterstock, Inc.

Date: May 2, 2025

By: /s/ Rik Powell
Rik Powell
Chief Financial Officer
(Principal Financial Officer)