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of ContentsÂ UNITED STATESSECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549Â ____Â FORMÂ 10-QÂ ____Â (Mark One)â˜’Â Â Â QUARTERLY REPORT PURSUANT TO SECTIONÂ 13 OR 15(d)Â OF THE SECURITIES EXCHANGE ACT OF 1934Â For the quarterly period ended JuneÂ 30, 2024orâ˜Â Â Â Â Â Â Â Â TRANSITION REPORT PURSUANT TO SECTIONÂ 13 OR 15(d)Â OF THE SECURITIES EXCHANGE ACT OF 1934For the transition period from Â Â Â Â Â Â Â Â to Â Â Â Â Â Â Â Â Commission File Number: 001-35669 Â ____SHUTTERSTOCK,Â INC.(Exact name of registrant as specified in its charter)Â ____Delaware80-0812659(State or other jurisdiction of incorporation or organization)(I.R.S. Employer Identification No.)350 Fifth Avenue, 20th FloorNew York, NY 10118(Address of principal executive offices, including zip code)(646) 710-3417(Registrantâ€™s telephone number, including area code)Not applicable(Former name, former address and former fiscal year, if changed since last report)Â ____Securities registered pursuant to Section 12(b) of the Act: Title of each classTrading Symbol(s)Name of each exchange on which registeredCommon Stock, $0.01 par value per shareSSTKNew York Stock ExchangeIndicate by check mark whether the registrant (1)Â has filed all reports required to be filed by SectionÂ 13 or 15(d)Â 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)Â has been subject to such filing requirements for the past 90 days.Â Â â˜’Â YesÂ Â Â â˜Â NoIndicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to RuleÂ 405 of Regulation S-T (Â§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Â Â â˜’Â YesÂ Â Â â˜Â NoIndicate 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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting companyâ€ and â€œemerging growth companyâ€ in RuleÂ 12b-2 of the Exchange Act.Large accelerated filerâ˜’Â AcceleratedÂ filerÂ â˜Non-accelerated filerâ˜SmallerÂ reportingÂ companyÂ â˜Emerging growth companyÂ â˜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. â˜Indicate by check mark whether the registrant is a shell company (as defined in RuleÂ 12b-2 of the Exchange Act). â˜Yes â˜’NoIndicate the number of shares outstanding of each of the issuerâ€™s classes of common stock, as of the latest practicable date.As of AugustÂ 2, 2024, 35,418,308 shares of the registrantâ€™s common stock, $0.01 par value per share, were outstanding. 1Table of ContentsÂ Shutterstock,Â Inc.FORM 10-QTable of ContentsÂ For the Quarterly Period Ended JuneÂ 30, 2024Â PageÂ No.PARTÂ I. FINANCIAL INFORMATIONÂ Item 1.Financial Statements (Unaudited)4Â Consolidated Balance Sheets4Â Consolidated Statements of Operations5Â Consolidated Statements of Comprehensive Income6Consolidated Statements of Stockholdersâ€™ Equity7Â Consolidated Statements of Cash Flows8Â Notes to Consolidated Financial Statements9Item 2.Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations26Item 3.Quantitative and Qualitative Disclosures About Market Risk44Item 4.Controls and Procedures45PARTÂ II. OTHER INFORMATIONÂ Item 1.Legal Proceedings46ItemÂ 1A.Risk Factors46Item 2.Unregistered Sales of Equity Securities and Use of Proceeds46Item 4.Mine Safety Disclosures46Item 5.Other Information46Item 6.Exhibits47Signatures492Table of ContentsÂ FORWARD-LOOKING STATEMENTSÂ This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of SectionÂ 27A of the Securities Act of 1933, as amended, or the Securities Act, and SectionÂ 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, particularly in the discussion under the caption â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operations.â€ All statements other than statements of historical fact are forward-looking. Examples of forward-looking statements include, but are not limited to, statements regarding guidance, industry prospects, future business, future results of operations or financial condition, future dividends, future stock performance, our ability to consummate acquisitions and integrate the businesses we have acquired or may acquire into our existing operations, new or planned features, products or services, management strategies and our competitive position. You can identify many forward-looking statements by words such as â€œmay,â€ â€œwill,â€ â€œwould,â€ â€œshould,â€ â€œcould,â€ â€œexpects,â€ â€œaims,â€ â€œanticipates,â€ â€œbelieves,â€ â€œestimates,â€ â€œintends,â€ â€œplans,â€ â€œpredicts,â€ â€œprojects,â€ â€œseeks,â€ â€œpotential,â€ â€œopportunitiesâ€ 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, 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; 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; social and ethical 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;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; 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; social and ethical 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 â€œRisk Factorsâ€ in our most recently filed Annual Report on FormÂ 10-K, which was filed with the Securities and Exchange Commission (the â€œSECâ€) on FebruaryÂ 26, 2024 (our â€œ2023 Form 10-Kâ€) and in our consolidated financial statements, related notes, and the other information appearing elsewhere in the 2023 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 FormÂ 10-Q to the terms â€œShutterstock,â€ â€œthe Company,â€ â€œwe,â€ â€œourâ€ and â€œusâ€ refer to Shutterstock,Â Inc. and its subsidiaries. â€œShutterstock,â€ â€œShutterstock Editorial,â€ â€œAsset Assurance,â€ â€œOffset,â€ â€œBigstock,â€ â€œRex Features,â€ â€œPremiumBeat,â€ â€œTurboSquid,â€ â€œPicMonkey,â€ â€œPattern89,â€ â€œShotzr,â€ â€œPond5,â€ â€œSplash News,â€ â€œGiphy,â€ â€œShutterstock Studios,â€ â€œShutterstock Editor,â€ â€œShutterstock.AI,â€ â€œCreative Flow,â€ and â€œBackgridâ€ and their logos are registered trademarks and are the property of Shutterstock,Â Inc. or one of our subsidiaries. All other trademarks, service marks and trade names appearing in this Quarterly Report on FormÂ 10-Q are the property of their respective owners. 3Table of ContentsÂ PARTÂ I. Â Â Â Â FINANCIAL INFORMATIONItemÂ 1.Â Â Â Â Â Â Â Â Financial Statements.Shutterstock,Â Inc.Consolidated Balance Sheets(In thousands, except par value amount)(unaudited)June 30,December 31,20242023ASSETSCurrent assets:Cash and cash equivalents$74,871Â $100,490Â Accounts receivable, net of allowance of $4,616 and $6,33597,442Â 91,139Â Prepaid expenses and other current assets68,534Â 100,944Â Total current assets240,847Â 292,573Â Property and equipment, net63,069Â 64,300Â Right-of-use assets15,392Â 15,395Â Intangible assets, net164,508Â 184,396Â Goodwill402,774Â 383,325Â Deferred tax assets, net23,779Â 24,874Â Other assets93,497Â 71,152Â Total assets$1,003,866Â $1,036,015Â LIABILITIES AND STOCKHOLDERSâ€™ EQUITYCurrent liabilities:Accounts payable$10,545Â $9,108Â Accrued expenses96,910Â 131,443Â Contributor royalties payable65,705Â 54,859Â Deferred revenue186,522Â 203,463Â Debt30,000Â 30,000Â Other current liabilities42,649Â 23,513Â Total current liabilities432,331Â 452,386Â Deferred tax liability, net3,744Â 4,182Â Lease liabilities26,433Â 29,404Â Other non-current liabilities20,946Â 22,949Â Total liabilities483,454Â 508,921Â Commitments and contingencies (Note 14)Stockholdersâ€™ equity:Common stock, $0.01 par value; 200,000 shares authorized; 40,286 and 39,982 shares issued and 35,359 and 35,572 shares outstanding as of JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively402Â 399Â Treasury stock, at cost; 4,927 and 4,410 shares as of JuneÂ 30, 2024 and DecemberÂ 31, 2023(248,805)(228,213)Additional paid-in capital441,497Â 424,229Â Accumulated other comprehensive loss(13,754)(11,974)Retained earnings341,072Â 342,653Â Total stockholdersâ€™ equity520,412Â 527,094Â Total liabilities and stockholdersâ€™ equity$1,003,866Â $1,036,015Â See Notes to Unaudited Consolidated Financial Statements.4Table of ContentsÂ Shutterstock,Â Inc.Consolidated Statements of Operations(In thousands, except for per share data)(unaudited)Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Revenue$220,053Â $208,840Â $434,368Â $424,120Â Operating expenses:Cost of revenue91,254Â 84,416Â 179,458Â 162,579Â Sales and marketing51,881Â 48,392Â 108,117Â 95,919Â Product development19,859Â 29,218Â 40,910Â 44,624Â General and administrative36,393Â 38,099Â 68,471Â 71,914Â Total operating expenses199,387Â 200,125Â 396,956Â 375,036Â Income from operations20,666Â 8,715Â 37,412Â 49,084Â Bargain purchase gainâ€”Â 41,940Â â€”Â 41,940Â Other (expense) / income, net(4,106)726Â (462)1,771Â Income before income taxes16,560Â 51,381Â 36,950Â 92,795Â Provision for income taxes12,935Â 1,368Â 17,204Â 9,939Â Net income$3,625Â $50,013Â $19,746Â $82,856Â Earnings per share:Basic$0.10Â $1.39Â $0.55Â $2.31Â Diluted$0.10Â $1.37Â $0.55Â $2.27Â Weighted average common shares outstanding:Basic35,69736,04735,64435,952Diluted35,98236,40636,02336,490See Notes to Unaudited Consolidated Financial Statements.5Table of ContentsÂ Shutterstock,Â Inc.Consolidated Statements of Comprehensive Income(In thousands)(unaudited)Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Net income$3,625Â $50,013Â $19,746Â $82,856Â Foreign currency translation (loss) / gain(316)(111)(1,780)1,308Â Other comprehensive (loss) / income(316)(111)(1,780)1,308Â Comprehensive income$3,309Â $49,902Â $17,966Â $84,164Â Â See Notes to Unaudited Consolidated Financial Statements.6Table of ContentsÂ Shutterstock,Â Inc.Consolidated Statements of Stockholdersâ€™ Equity(In thousands)(unaudited)AdditionalPaid-inCapitalAccumulatedOtherComprehensive(Loss) / IncomeRetainedEarningsCommon StockTreasury StockThree Months Ended June 30, 2024SharesAmountSharesAmountTotalBalance at March 31, 202440,013Â $399Â 4,410Â $(228,213)$434,416Â $(13,438)$348,111Â $541,275Â Equity-based compensationâ€”Â â€”Â â€”Â â€”Â 14,976Â â€”Â â€”Â 14,976Â Issuance of common stock in connection with employee stock option exercises and RSU vesting449Â 5Â â€”Â â€”Â (5)â€”Â â€”Â â€”Â Common shares withheld for settlement of taxes in connection with equity-based compensation(176)(2)â€”Â â€”Â (7,890)â€”Â â€”Â (7,892)Repurchase of treasury sharesâ€”Â â€”Â 517Â (20,592)â€”Â â€”Â â€”Â (20,592)Cash dividends paidâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â (10,664)(10,664)Other comprehensive lossâ€”Â â€”Â â€”Â â€”Â â€”Â (316)â€”Â (316)Net incomeâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â 3,625Â 3,625Â Balance at June 30, 202440,286Â $402Â 4,927Â $(248,805)$441,497Â $(13,754)$341,072Â $520,412Â Three Months Ended June 30, 2023Balance at March 31, 202339,690Â $396Â 3,776Â $(200,008)$395,934Â $(14,020)$294,232Â $476,534Â Equity-based compensationâ€”Â â€”Â â€”Â â€”Â 14,943Â â€”Â â€”Â 14,943Â Issuance of common stock in connection with employee stock option exercises and RSU vesting317Â 3Â â€”Â â€”Â (3)â€”Â â€”Â â€”Â Common shares withheld for settlement of taxes in connection with equity-based compensation(123)(1)â€”Â â€”Â (8,146)â€”Â â€”Â (8,147)Repurchase of treasury sharesâ€”Â â€”Â 80Â (4,000)â€”Â â€”Â â€”Â (4,000)Cash dividends paidâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â (9,725)(9,725)Other comprehensive lossâ€”Â â€”Â â€”Â â€”Â â€”Â (111)â€”Â (111)Net incomeâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â 50,013Â 50,013Â Balance at June 30, 202339,884Â $398Â 3,856Â $(204,008)$402,728Â $(14,131)$334,520Â $519,507Â Six Months Ended June 30, 2024Balance at December 31, 202339,982Â $399Â 4,410Â $(228,213)$424,229Â $(11,974)$342,653Â $527,094Â Equity-based compensationâ€”Â â€”Â â€”Â â€”Â 26,126Â â€”Â â€”Â 26,126Â Issuance of common stock in connection with employee stock option exercises and RSU vesting501Â 5Â â€”Â â€”Â (5)â€”Â â€”Â â€”Â Common shares withheld for settlement of taxes in connection with equity-based compensation(197)(2)â€”Â â€”Â (8,853)â€”Â â€”Â (8,855)Repurchase of treasury sharesâ€”Â â€”Â 517Â (20,592)â€”Â â€”Â â€”Â (20,592)Cash dividends paidâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â (21,327)(21,327)Other comprehensive lossâ€”Â â€”Â â€”Â â€”Â â€”Â (1,780)â€”Â (1,780)Net incomeâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â 19,746Â 19,746Â Balance at June 30, 202440,286Â $402Â 4,927Â $(248,805)$441,497Â $(13,754)$341,072Â $520,412Â Six Months Ended June 30, 2023Balance at December 31, 202239,605Â $396Â 3,776Â $(200,008)$391,482Â $(15,439)$271,051Â $447,482Â Equity-based compensationâ€”Â â€”Â â€”Â â€”Â 23,586Â â€”Â â€”Â 23,586Â Issuance of common stock in connection with employee stock option exercises and RSU vesting461Â 4Â â€”Â â€”Â (2)â€”Â â€”Â 2Â Common shares withheld for settlement of taxes in connection with equity-based compensation(182)(2)â€”Â â€”Â (12,338)â€”Â â€”Â (12,340)Repurchase of treasury sharesâ€”Â â€”Â 80Â (4,000)â€”Â â€”Â â€”Â (4,000)Cash dividends paidâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â (19,387)(19,387)Other comprehensive incomeâ€”Â â€”Â â€”Â â€”Â â€”Â 1,308Â â€”Â 1,308Â Net incomeâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â 82,856Â 82,856Â Balance at June 30, 202339,884Â $398Â 3,856Â $(204,008)$402,728Â $(14,131)$334,520Â $519,507Â See Notes to Unaudited Consolidated Financial Statements.7Table of ContentsÂ Shutterstock,Â Inc.Consolidated Statements of Cash Flows(In thousands)(unaudited)Â Six Months EndedJune 30,Â 20242023CASH FLOWS FROM OPERATING ACTIVITIESÂ Â Net income$19,746Â $82,856Â Adjustments to reconcile net income to net cash provided by operating activities:Depreciation and amortization42,696Â 38,102Â Deferred taxes503Â (146)Non-cash equity-based compensation26,126Â 23,586Â Bad debt expense(1,772)1,025Â Bargain purchase gainâ€”Â (41,940)Unrealized (gain) / loss on investments, net(131)â€”Â Changes in operating assets and liabilities:Accounts receivable(3,879)5,709Â Prepaid expenses and other current and non-current assets(25,299)(29,834)Accounts payable and other current and non-current liabilities(16,899)(4,144)Contributor royalties payable10,688Â 1,822Â Deferred revenue(15,514)19,553Â Net cash provided by operating activities$36,265Â $96,589Â CASH FLOWS FROM INVESTING ACTIVITIESCapital expenditures(23,536)(22,870)Business combination, net of cash acquired(19,474)(53,721)Cash received related to Giphy Retention Compensation36,522Â 15,752Â Acquisition of content(1,821)(5,252)Security deposit payment82Â (37)Net cash used in investing activities$(8,227)$(66,128)CASH FLOWS FROM FINANCING ACTIVITIESRepurchase of treasury shares(20,592)(4,000)Proceeds from exercise of stock optionsâ€”Â 3Â Cash paid related to settlement of employee taxes related to RSU vesting(8,859)(14,545)Payment of cash dividends(21,327)(19,387)Proceeds from credit facilityâ€”Â 30,000Â Repayment of credit facilityâ€”Â (50,000)Net cash used in financing activities$(50,778)$(57,929)Effect of foreign exchange rate changes on cash(2,879)(540)Net decrease in cash and cash equivalents(25,619)(28,008)Cash and cash equivalents, beginning of period100,490Â 115,154Â Cash and cash equivalents, end of period$74,871Â $87,146Â Supplemental Disclosure of Cash Information:Cash paid for income taxes $12,560Â $6,795Â Cash paid for interest1,005Â 429Â See Notes to Unaudited Consolidated Financial Statements.8Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)(1) Summary of Operations and Significant Accounting PoliciesSummary of OperationsShutterstock, Inc. (the â€œCompanyâ€ or â€œShutterstockâ€) is a leading global creative platform connecting brands and businesses to high quality content. The Companyâ€™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 Companyâ€™s web properties in exchange for royalty payments based on customer download activity. Beyond content, customers also leverage the Companyâ€™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 Companyâ€™s â€œContentâ€ offering). Content revenues represent the majority of the Companyâ€™s business and are supported by the Companyâ€™s searchable creative platform and driven by the Companyâ€™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 Companyâ€™s images, footage, music tracks and 3D models through the Companyâ€™s data offering, (ii) distribution and advertising services from the Companyâ€™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 Companyâ€™s â€œData, Distribution, and Servicesâ€ offerings).The Companyâ€™s Content offering includes:â€¢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. â€¢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. â€¢Music - consisting of high-quality music tracks and sound effects, which are often used to complement images and footage. â€¢3 Dimensional (â€œ3Dâ€) Models - consisting of 3D models, used in a variety of industries such as advertising, media and video production, gaming, retail, education, design and architecture. â€¢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.On FebruaryÂ 1, 2024, the Company acquired Backgrid USA, Inc. and Backgrid London, Ltd. (collectively â€œBackgridâ€). Backgrid supplies media organizations with real-time celebrity content. See Note 3 Acquisitions.Basis of PresentationThe unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (â€œGAAPâ€) 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 JuneÂ 30, 2024, and the Consolidated Statements of Operations, Comprehensive Income and Stockholdersâ€™ Equity for the three and six months ended JuneÂ 30, 2024 and 2023, and the Consolidated Statements of Cash Flows for the six months ended JuneÂ 30, 2024 and 2023 are unaudited. The Consolidated Balance Sheet as of DecemberÂ 31, 2023, 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 Companyâ€™s annual financial statements and, in the opinion of management, reflect all adjustments, which include all normal recurring adjustments necessary to fairly state the Companyâ€™s financial position as of JuneÂ 30, 2024, and its 9Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)consolidated results of operations, comprehensive income, stockholdersâ€™ equity and cash flows for the three and six months ended JuneÂ 30, 2024 and 2023. 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 six months ended JuneÂ 30, 2024 are not necessarily indicative of the results to be expected for the fiscal year ending DecemberÂ 31, 2024 or for any other future annual or interim period.These financial statements should be read in conjunction with the Companyâ€™s audited consolidated financial statements and notes thereto as of and for the year ended DecemberÂ 31, 2023 included in the Companyâ€™s Annual Report on Form 10-K, which was filed with the SEC on FebruaryÂ 26, 2024. 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 EstimatesThe 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. Cash and Cash EquivalentsThe Companyâ€™s cash and cash equivalents consist primarily of bank deposits. Accounts Receivable and Allowance for Doubtful AccountsThe Companyâ€™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 $69.9Â million of unbilled receivables of which $38.0Â million are recorded in Accounts Receivable and $31.9Â million are recorded in Other Assets, as of JuneÂ 30, 2024.During the six months ended JuneÂ 30, 2024, the Company recorded bad debt recovery of $1.8 million. As of JuneÂ 30, 2024 and DecemberÂ 31, 2023, the Companyâ€™s allowance for doubtful accounts was approximately $4.6Â million and $6.3Â 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 JuneÂ 30, 2024 and DecemberÂ 31, 2023, approximately $12.6 million and $16.0 million of financing receivables, respectively, were included in accounts receivable and other assets on the Consolidated Balance Sheets. In addition, as of JuneÂ 30, 2024 and DecemberÂ 31, 2023, two customers accounted for approximately 29% of the accounts receivable balance. Chargeback and Sales Refund AllowanceThe 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 JuneÂ 30, 2024 and DecemberÂ 31, 2023, the Companyâ€™s combined allowance for chargebacks and sales refunds was $0.4Â million, which was included as a component of other current liabilities on the Consolidated Balance Sheets. Revenue Recognition A significant portion of the Companyâ€™sÂ revenueÂ 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 10Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)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.Â The Company also generates revenue from tools available through the Companyâ€™s platform.For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation based on a relative standalone selling price. The standalone selling price is determined based on the price at which the performance obligation is sold separately, or if not observable through past transactions, is estimated taking into account available information including internally approved pricing guidelines and pricing information of comparable products.The Company recognizes revenue upon the satisfaction of performance obligations. The Company recognizes revenue on both its subscription-based and transaction-based products when content is downloaded by a customer, at which time the license is provided. In addition, the Company estimates expected unused licenses for subscription-based products and recognizes the revenue associated with the unused licenses as digital content is downloaded and licenses are obtained for such content by the customer during the subscription period. The estimate of unused licenses is based on historical download activity and future changes in the estimate could impact the timing of revenue recognition of the Companyâ€™s subscription products. For revenue associated with tools available through the Companyâ€™s platform, revenue is recognized on a straight-line basis over the subscription period. The Company expenses contract acquisition costs as incurred, to the extent that the amortization period would otherwise be one year or less. For customers making electronic payments, collectability is probable at the time the order or contract is entered. A significant portion of the Companyâ€™s customers purchase products by making electronic payments with a credit card at the time of the transaction. Customer payments received in advance of revenue recognition are contract liabilities and are recorded as deferred revenue. Customers that do not pay in advance are invoiced and are required to make payments under standard credit terms. Collectability for customers who pay on credit terms allowing for payment beyond the date at which service commences, is based on a credit evaluation for certain new customers and transaction history with existing customers.Â The Company recognizesÂ revenueÂ 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 Companyâ€™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. (2)Â Fair Value Measurements and Long-term InvestmentsFair Value MeasurementsThe Company had no assets or liabilities requiring fair value hierarchy disclosures as of JuneÂ 30, 2024 or DecemberÂ 31, 2023, except as noted below.Other Fair Value MeasurementsThe 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 Companyâ€™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. 11Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)Long-term InvestmentsInvestment in Meitu, Inc. (â€œMeituâ€)In 2018, the Company invested $15.0 million in convertible preferred shares issued by ZCool Technologies Limited (â€œZCoolâ€) (the â€œPreferred Sharesâ€). ZCoolâ€™s primary business is the operation of an e-commerce platform in the Peopleâ€™s Republic of China (the â€œPRCâ€) 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. The Company used the measurement alternative and the investment in ZCool was reported at cost, adjusted for impairments or any observable price changes in ordinary transactions with identical or similar investments. On MarchÂ 27, 2024, ZCool was acquired by Meitu, and the Companyâ€™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 (expense) / income, net in the Consolidated Statement of Operations. Meituâ€™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 (expense) / income, net in the Consolidated Statement of Operations. Its fair value level hierarchy and amount at JuneÂ 30, 2024 are as follows:As of June 30, 2024Hierarchy Level:Fair ValueLevel 1$15,130Â 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 JuneÂ 30, 2024, the Company has $23.8 million recorded in Other Assets in the Consolidated Balance Sheet from equity instruments received. There were no customer equity instruments recorded at DecemberÂ 31, 2023. The Company estimated the value of these equity instruments based on issuersâ€™ 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 JuneÂ 30, 2024 and DecemberÂ 31, 2023, 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 investmentâ€™s carrying value is reported at cost, adjusted for impairments or any observable price changes in ordinary transactions with identical or similar investments. (3)Â AcquisitionsBackgrid On FebruaryÂ 1, 2024, the Company completed its acquisition of all of the outstanding shares of Backgrid USA, Inc. and Backgrid London LTD, (collectively, â€œBackgridâ€), for approximately $20Â 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 $1.5Â 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 Editorialâ€™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 goodwill arising from the transaction is primarily attributable to expected operational synergies and is not deductible for income tax purposes.The Backgrid transaction was accounted for using the acquisition method and, accordingly, the results of the acquired business have been included in the Companyâ€™s results of operations from the acquisition date. The fair value of consideration transferred in this business combination has been allocated to the intangible and tangible assets acquired and liabilities assumed at the acquisition date, with the remaining unallocated amount recorded as goodwill. The identifiable intangible assets of this 12Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)acquisition are being amortized on a straight-line basis. The fair value of the trademark and developed technology was determined using the excess earnings and relief-from-royalty methods. The aggregate purchase price for this acquisition has been allocated to the assets acquired and liabilities assumed as follows (in thousands):Assets acquired and liabilities assumed:BackgridCash and cash equivalents$1,718Â Accounts receivable732Â Other assets77Â Intangible assets:Trade name300Â Developed technology900Â Intangible assets1,200Â Goodwill19,843Â Total assets acquired$23,570Â Contributor royalties payable(849)Accrued expenses(1,302)Deferred tax liability(271)Total liabilities assumed(2,422)Net assets acquired$21,148Â Giphy, Inc. On May 22, 2023, the Company entered into a Stock Purchase Agreement with Meta Platforms, Inc. (â€œMetaâ€) dated May 22, 2023 (the â€œPurchase Agreementâ€). On JuneÂ 23, 2023, the Company completed its acquisition of all of the outstanding shares of Giphy, Inc. (â€œGiphyâ€) from Meta. The consideration paid by the Company pursuant to the Purchase Agreement was $53 million in net cash, in addition to cash acquired, assumed debt and other working capital adjustments. The consideration was paid with existing cash on hand. Giphy is a New York-based company that operates a collection of GIFs and stickers that supplies casual conversational content. The Company believes its acquisition of Giphy extends Shutterstockâ€™s audience touchpoints beyond primarily professional marketing and advertising use cases and expands into casual conversations.In January 2023, the United Kingdom Competition and Markets Authority (the â€œCMAâ€) issued its final order requiring Meta to divest its ownership of Giphy, which Meta acquired in 2020. In connection with the closing of the acquisition, whose terms were preapproved by the CMA, the Company and Meta entered into a transitional services agreement (the â€œTSAâ€) pursuant to which Meta is responsible for certain costs related to retention of Giphy employees, including (i) recurring salary, bonus, and benefits through August 2024, which would be $35.6 million if all employees are retained through August 2024, and (ii) nonrecurring items, totaling $87.9 million, comprised of one-time employment inducement bonuses and the cash value of unvested Meta equity awards (collectively, the â€œGiphy Retention Compensationâ€) and certain costs related to technology and integration expenses, totaling $30Â million to be paid in $1.25Â million monthly installments through May 2025.The Giphy Retention Compensation will be paid to the individuals for being employees of the Company subsequent to the completion of the acquisition. Accordingly, it was determined that the payments by the Company are for future service requirements and will be reflected as operating expenses, less any amounts earned by the employees prior to the acquisition, in the Companyâ€™s Statements of Operations as incurred. The Giphy Retention Compensation is reflected as a reduction of the purchase price and has been funded into an escrow account. 13Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)The Giphy purchase price was calculated as follows: Purchase PricePurchase price$53,000Â Cash acquired and other working capital adjustments4,750Â Cash paid on closing$57,750Â Fair value of Giphy Retention Compensation contingent consideration1(98,723)Fair value of consideration attributable to pre-combination service234,972Â Net purchase price$(6,001)1 - This amount consists of $123.5 million of Giphy Retention Compensation, adjusted for $18.9 million of income tax obligations associated with the receipt of the Giphy Retention Compensation and $5.9 million for the time value of money. 2 - Relates to the cash value of replaced unvested Meta equity awards attributable to pre-combination services.Upon closing of the acquisition, the Company also entered into an agreement with Meta whereby the Company will provide Meta with access to Giphy content that is displayed through an API for a period of two years. The Company determined that the API arrangement represents a transaction separate from the business combination and was priced below market. Therefore, the Company allocated $30Â million of the purchase price to these services, which represents the step-up to fair market value. This amount has been recognized in deferred revenue and will be recognized as revenue over-time as the API is provided. The identifiable intangible assets, which include developed technology and the trade name have weighted average useful lives of approximately 7 years and 15 years, respectively. The fair value of the developed technology was determined using the cost to recreate method, and the fair value of the trade name was determined using the relief-from-royalty method. The Giphy transaction was accounted for using the acquisition method and, accordingly, the results of the acquired business have been included in the Companyâ€™s results of operations from the acquisition date. The fair value of consideration transferred in this business combination has been allocated to the intangible and tangible assets acquired and liabilities assumed at the acquisition date, with the excess of the fair value of the net assets acquired over the net consideration received recorded as a bargain purchase gain. The identifiable intangible assets of these acquisitions are being amortized on a straight-line basis. 14Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)The aggregate purchase

price for this acquisition has been allocated to the assets acquired and liabilities assumed as follows (in thousands):Assets acquired and liabilities assumed:GiphyCash and cash equivalents$4,030Â Prepaid expenses and other current assets1,416Â Right of use assets1,243Â Intangible assets:Trade name21,000Â Developed technology219,500Â Intangible assets40,500Â Deferred tax asset11,463Â Other assets1,647Â Total assets acquired$50,299Â Accounts payable, accrued expenses and other liabilities(4,949)Lease liability(1,090)Total liabilities assumed(6,039)Net assets acquired$44,260Â Net purchase price(6,001)Bargain purchase gain$50,261Â 1 - During the three months ended September 30, 2023, the Company revised its preliminary allocation of the Giphy purchase price to the assets acquired and liabilities assumed by $9.9Â million associated with additional information analyzed related to the deferred income tax balances. The measurement and allocation of the purchase price is preliminary and will be finalized within the allowable measurement period once the Company finalizes its assessment of fair value of intangible assets, income tax balances and other assets acquired and liabilities assumed. 2 - During the three months ended December 31, 2023, the Company revised its preliminary allocation of the Giphy purchase price to the assets acquired and liabilities assumed by $1.6Â million associated with additional information analyzed related to the valuation of the Developed Technology asset. The measurement and allocation of the purchase price is preliminary and will be finalized within the allowable measurement period once the Company finalizes its assessment of fair value of intangible assets, income tax balances and other assets acquired and liabilities assumed.The Company recognized a non-taxable bargain purchase gain of $50.3 million, representing the excess of the fair value of the net assets acquired in addition to the net consideration to be received from Meta. The bargain purchase gain is the result of the CMAâ€™s regulatory order requiring Metaâ€™s divestiture of Giphy and the Giphy Retention Compensation payments. In connection with the acquisition, the Company incurred approximately $3.0 million of transaction costs, which are included in general and administrative expenses on the Consolidated Statements of Operations. As of JuneÂ 30, 2024, Shutterstockâ€™s receivable of $43.7 million, is against an escrow fully funded by Meta. $31.5 million and $12.2 million are included within Prepaid expenses and other current assets and Other assets, respectively, on the Consolidated Balance Sheet. 15Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)Pro-Forma Financial Information (unaudited)The following unaudited pro forma consolidated financial information (in thousands) reflects the results of operations of the Company for the three and six months ended JuneÂ 30, 2024 and 2023, respectively, as if the Backgrid acquisition had been completed on January 1, 2023, and as if the Giphy acquisition had been completed on January 1, 2022, after giving effect to certain purchase accounting adjustments, primarily related to Giphy Retention Compensation - non-recurring, intangible assets and transaction costs. 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 Companyâ€™s operating results would have been, had the acquisitions actually taken place at the beginning of the previous annual period. Three Months Ended June 30,Six Months Ended June 30,2024202320242023RevenueAs Reported$220,053Â $208,840Â $434,368Â $424,120Â Pro Forma220,053Â 217,626Â 435,312Â 441,692Â Income before income taxesAs Reported$16,560Â $51,381Â $36,950Â $92,795Â Pro Forma18,164Â 15,793Â 41,194Â 44,557Â (4)Â Property and EquipmentProperty and equipment is summarized as follows (in thousands):Â As of June 30, 2024As of December 31, 2023Computer equipment and software$326,551Â $308,473Â Furniture and fixtures10,901Â 10,829Â Leasehold improvements19,887Â 19,153Â Property and equipment357,339Â 338,455Â Less accumulated depreciation(294,270)(274,155)Property and equipment, net$63,069Â $64,300Â Depreciation expense related to property and equipment was $10.4Â million and $9.1Â million for the three months ended JuneÂ 30, 2024 and 2023, respectively, and $20.7Â million and $18.2Â million for the six months ended JuneÂ 30, 2024 and 2023, respectively. Cost of revenues included depreciation expense of $10.0 million and $8.7 million for the three months ended JuneÂ 30, 2024 and 2023, respectively, and $19.9 million and $17.3 million for the six months ended JuneÂ 30, 2024 and 2023, respectively. General and administrative expense included depreciation expense of $0.4 million for the three months ended JuneÂ 30, 2024 and 2023, and $0.8 million and $0.9 million for the six months ended JuneÂ 30, 2024 and 2023, respectively.Capitalized Internal-Use SoftwareThe Company capitalized costs related to the development of internal-use software of $9.6Â million and $11.3Â million for the three months ended JuneÂ 30, 2024 and 2023, respectively, and $18.6Â million and $21.6Â million for the six months ended JuneÂ 30, 2024 and 2023, respectively. 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 $9.8Â million and $8.4Â million for the three months ended JuneÂ 30, 2024 and 2023, respectively, and $19.4Â million and $16.8Â million for the six months ended JuneÂ 30, 2024 and 2023, respectively. Depreciation expense related to capitalized internal-use software is included in cost of revenue in the Consolidated Statements of Operations. As of JuneÂ 30, 2024 and DecemberÂ 31, 2023, the Company had capitalized internal-use software of $59.5Â million and $60.3Â million, respectively, net of accumulated depreciation, which was included in property and equipment, net.16Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)(5)Â Goodwill and Intangible Assets GoodwillThe Companyâ€™s goodwill balance is attributable to its Content reporting unit and is tested for impairment annually on OctoberÂ 1 or upon a triggering event. No triggering events were identified during the six months ended JuneÂ 30, 2024. The following table summarizes the changes in the carrying value of the Companyâ€™s goodwill balance during the six months ended JuneÂ 30, 2024 (in thousands):Â GoodwillBalance as of December 31, 2023$383,325Â Goodwill related to acquisitions19,843Â Foreign currency translation adjustment(394)Balance as of June 30, 2024$402,774Â Intangible AssetsIntangible assets, all of which are subject to amortization, consisted of the following as of JuneÂ 30, 2024 and DecemberÂ 31, 2023 (in thousands):Â As of June 30, 2024As of December 31, 2023Â GrossCarryingAmountAccumulatedAmortizationNetCarryingAmountWeightedAverageÂ Life(Years)GrossCarryingAmountAccumulatedAmortizationNetCarryingAmountAmortizing intangible assets:Â Â Â Customer relationships$89,734Â $(30,471)$59,263Â 12$90,350Â $(26,982)$63,368Â Trade name38,132Â (10,483)27,649Â 1237,937Â (9,272)28,665Â Developed technology116,296Â (74,315)41,981Â 5115,914Â (61,376)54,538Â Contributor content67,424Â (31,895)35,529Â 865,628Â (27,897)37,731Â Patents259Â (173)86Â 18259Â (165)94Â Total$311,845Â $(147,337)$164,508Â Â $310,088Â $(125,692)$184,396Â Amortization expense was $11.0Â million and $10.1Â million for the three months ended JuneÂ 30, 2024 and 2023, respectively, and $22.0Â million and $19.9Â million for the six months ended JuneÂ 30, 2024 and 2023, respectively. Cost of revenue included amortization expense of $10.0 million and $9.4 million for the three months ended JuneÂ 30, 2024 and 2023, respectively, and $20.0 million and $18.6 million for the six months ended JuneÂ 30, 2024 and 2023, respectively. General and administrative expense included amortization expense of $1.0 million and $0.7 million for the three months ended JuneÂ 30, 2024 and 2023, respectively, and $2.0 million and $1.3 million for the six months ended JuneÂ 30, 2024 and 2023, respectively. The Company determined that there was no indication of impairment of the intangible assets for any period presented. Estimated amortization expense is: $16.1Â million for the remaining six months of 2024, $27.6Â million in 2025, $25.3Â million in 2026, $19.1Â million in 2027, $16.5Â million in 2028, $15.4Â million in 2029 and $44.5 million thereafter.17Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)(6)Â Accrued ExpensesÂ Accrued expenses consisted of the following (in thousands):As of June 30, 2024As of December 31, 2023Compensation$45,782Â $75,752Â Non-income taxes23,329Â 23,702Â Website hosting and marketing fees8,612Â 11,804Â Other expenses19,187Â 20,185Â Total accrued expenses$96,910Â $131,443Â As of JuneÂ 30, 2024 and DecemberÂ 31, 2023, compensation-related accrued expenses included amounts due to Giphy employees for compensation earned pre-acquisition and severance costs associated with workforce optimizations. Approximately $1.2 million and $7.7 million of severance costs associated with workforce optimization is included within accrued expenses as of JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. (7)Â DebtOn May 6, 2022, the Company entered into a five-year $100Â million unsecured revolving loan facility (the â€œCredit Facilityâ€) with Bank of America, N.A., as Administrative Agent and other lenders. The Credit Facility includes a letter of credit sub-facility and a swingline facility and it also permits, subject to the satisfaction of certain conditions, up to $100Â million of additional revolving loan commitments with the consent of the Administrative Agent. At the Companyâ€™s option, revolving loans accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.125% to 0.500%, determined based on the Companyâ€™s consolidated leverage ratio or (ii) the Term Secured Overnight Financing Rate (â€œSOFRâ€) (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.125% to 1.5%, determined based on the Companyâ€™s consolidated leverage ratio. The Company is also required to pay an unused commitment fee ranging from 0.150% to 0.225%, determined based on the Companyâ€™s consolidated leverage ratio. In connection with the execution of this agreement, the Company paid debt issuance costs of approximately $0.6 million. As of JuneÂ 30, 2024 and DecemberÂ 31, 2023, the Company had $30 million of outstanding borrowings under the Credit Facility. As of JuneÂ 30, 2024, the Company had a remaining borrowing capacity of $68 million, net of standby letters of credit. For the three and six months ended JuneÂ 30, 2024, the Company recognized interest expense of $0.6 million and $1.1 million, respectively. The Credit Facility contains financial covenants and requirements restricting certain of the Companyâ€™s activities, which are usual and customary for this type of credit facility. The Company is also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio, in each case, determined in accordance with the terms of the Credit Facility. As of JuneÂ 30, 2024, the Company was in compliance with these covenants.
(8)Â Stockholdersâ€™ Equity and Equity-Based CompensationStockholdersâ€™ EquityCommon StockThe Company issued approximately 273,000 and 194,000 shares of common stock during the three months ended JuneÂ 30, 2024 and 2023, respectively, related to the exercise of stock options and the vesting of Restricted Stock Units.Treasury StockIn June 2023, the Companyâ€™s Board of Directors approved a share repurchase program (the â€œ2023 Share Repurchase Programâ€), providing authorization to repurchase up to $100Â million of its common stock. 18Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)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 Companyâ€™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 JuneÂ 30, 2024, the Company has repurchased approximately 4.9 million shares of common stock under the 2023 Share Repurchase Program at an average per-share cost of $50.49. During the three and six months ended JuneÂ 30, 2024, the Company repurchased approximately 517,000 shares of common stock at an average cost of $39.83 under the 2023 Share Repurchase Program. During the three and six months ended JuneÂ 30, 2023, the Company repurchased approximately 80,400 shares of its common stock at an average cost of $49.78 under the 2023 Share Repurchase Program. As of JuneÂ 30, 2024, the Company had $51.2 million of remaining authorization for purchases under the 2023 Share Repurchase Program.DividendsThe Company declared and paid cash dividends of $0.30 and $0.60 per share of common stock, or $10.7 million and $21.3 million during the three and six months ended JuneÂ 30, 2024, respectively, and $0.27 and $0.54 per share of common stock, or $9.7 million and $19.4 million, during the three and six months ended JuneÂ 30, 2023, respectively. On JulyÂ 22, 2024, the Companyâ€™s Board of Directors declared a quarterly cash dividend of $0.30 per share of outstanding common stock payable on SeptemberÂ 12, 2024 to stockholders of record at the close of business on AugustÂ 29, 2024. Future declarations of dividends are subject to the final determination of the Board of Directors, and will depend on, among other things, the Companyâ€™s future financialÂ 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. Equity-Based CompensationThe Company recognizes stock-based compensation expense for all equity-based compensation awards, including employee Restricted Stock Units and Performance-based Restricted Stock Units (â€œPRSUsâ€ and, collectively with Restricted Stock Units, â€œRSUsâ€) 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 Companyâ€™s Amended and Restated 2012 Omnibus Equity Incentive Plan (the â€œ2012 Planâ€). At the Annual Meeting held on June 2, 2022, the Companyâ€™s stockholders approved the 2022 Omnibus Equity Incentive Plan (the â€œ2022 Planâ€). Awards granted subsequent to June 2, 2022 were granted under the 2022 Plan. At the Annual Meeting held on June 6, 2024, the Companyâ€™s stockholders approved the Amended and Restated 2022 Omnibus Equity Incentive Plan (the â€œ2022 Amended and Restated Planâ€). Awards granted subsequent to June 6, 2024 were granted under the 2022 Amended and Restated Plan.19Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)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 and six months ended JuneÂ 30, 2024 and 2023 (in thousands):Â Â Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023Cost of revenue$300Â $306Â $524Â $490Â Sales and marketing3,167Â 2,487Â 5,178Â 3,091Â Product development4,171Â 4,221Â 6,456Â 6,669Â General and administrative7,338Â 7,929Â 13,968Â 13,336Â Total$14,976Â $14,943Â $26,126Â $23,586Â For the three and six months ended JuneÂ 30, 2024 and 2023, substantially all of the Companyâ€™s non-cash equity-based compensation expense related to RSUs. Stock Option AwardsDuring the six months ended JuneÂ 30, 2024, no options to purchase shares of its common stock were granted. As of JuneÂ 30, 2024, there were approximately 299,000 options vested and exercisable with a weighted average exercise price of $34.14. Restricted Stock Unit AwardsDuring the six months ended JuneÂ 30, 2024, the Company had RSU grants, net of forfeitures, of approximately 1,519,000. As of JuneÂ 30, 2024, there are approximately 2,956,000 non-vested RSUs outstanding with a weighted average grant-date fair value of $53.13. As of JuneÂ 30, 2024, the total unrecognized non-cash equity-based compensation expense related to the non-vested RSUs was approximately $108.3Â million, which is expected to be recognized through 2028. During the six months ended JuneÂ 30, 2024 and 2023, shares of common stock with an aggregate value ofÂ $8.9 millionÂ and $12.3 million were withheld upon vesting of RSUs and paid in connection with related remittance of employee withholding taxes to taxing authorities. (9) RevenueThe Company distributes its products through two primary offerings: Content: The majority of the Companyâ€™s customers license image, video, music and 3D content for commercial purposes either directly through the Companyâ€™s self-service web properties or through the Companyâ€™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 Companyâ€™s standard or enhanced licenses, with additional licensing options available to meet customersâ€™ 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. Data, Distribution, and Services: The Companyâ€™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 Companyâ€™s metadata for machine learning and generative artificial intelligence model training and high-quality production and custom content at scale provided by Shutterstock Studios.20Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)The Companyâ€™s revenues by product offering for the three and six months ended JuneÂ 30, 2024 and 2023 are as follows (in thousands):Â Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023Content$169,951Â $186,963Â $343,781Â $380,947Â Data, Distribution, and Services50,102Â 21,877Â 90,587Â 43,173Â Total Revenue$220,053Â $208,840Â $434,368Â $424,120Â Deferred revenue reported on the balance sheet represents unfulfilled performance obligations for which the Company has either received payment or has outstanding receivables. The JuneÂ 30, 2024 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. $131.1Â million of total revenue recognized for the six months ended JuneÂ 30, 2024 was reflected in deferred revenue as of DecemberÂ 31, 2023. In addition, as of JuneÂ 30, 2024, the Company has approximately $91.8Â 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. (10)Â Other

(Expense) / Income, netThe following table presents a summary of the Companyâ€™s other income and expense activity included in the accompanying Consolidated Statements of Operations for the three and six months ended JuneÂ 30, 2024 and 2023 (in thousands):Â Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023Foreign currency (loss) / gain$(1,268)$551Â $(1,860)$1,662Â Interest expense(561)(493)(1,123)(724)Interest income, unrealized gain / (loss) on investments, and other(2,277)668Â 2,521Â 833Â Total other (expense) / income, net$(4,106)$726Â (462)1,771Â (11)Â Income Taxes The Companyâ€™s effective tax rates yielded a net expense of 78.1% and 2.7% for the three months ended JuneÂ 30, 2024 and 2023, respectively, and a net expense of 46.6% and 10.7% for the six months ended JuneÂ 30, 2024 and 2023, respectively. During the three and six months ended JuneÂ 30, 2024, the net effect of discrete items increased the effective tax rate by 59.7% and 27.6%, respectively. The discrete items for the three and six months ended JuneÂ 30, 2024 relate to shortfalls on equity award vestings and a one-time charge of $6.3Â million related to the reversal of a deferred tax asset resulting from the expiration of equity awards granted to the Companyâ€™s Founder and Executive Chairman. Excluding discrete items, the Companyâ€™s effective tax rate would have been 18.4% and 19.0% for the three and six months ended JuneÂ 30, 2024, respectively. During the three and six months ended JuneÂ 30, 2023, the net effect of discrete items decreased the effective tax rate by 13.6% and 7.1%, respectively. The discrete items for the three and six months ended JuneÂ 30, 2023, relate to the non-taxable bargain purchase gain associated with the acquisition of Giphy. Excluding discrete items, the Companyâ€™s effective tax rate would have been 16.3% and 17.8% for the three and six months ended JuneÂ 30, 2023, respectively. The Company has computed the provision for income taxes based on the estimated annual effective tax rate excluding a loss jurisdiction with no tax benefit and the application of discrete items, if any, in the applicable period. During the three and six months ended JuneÂ 30, 2024 and 2023, uncertain tax positions recorded by the Company were not significant. To the extent the remaining uncertain tax positions are ultimately recognized, the Companyâ€™s effective tax rate may be impacted in future periods. 21Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)The Company recognizes interest expense and tax penalties related to unrecognized tax benefits in income tax expense in the Consolidated Statements of Operations. The Companyâ€™s accrual for interest and penalties related to unrecognized tax benefits was not significant for the three and six months ended JuneÂ 30, 2024 and 2023. During the six months ended JuneÂ 30, 2024 and 2023, the Company paid net cash taxes of $12.6 million and $6.8 million, respectively.(12) Net Income Per ShareBasic 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 and six months ended JuneÂ 30, 2024 and 2023 (in thousands):Three Months Ended June 30,Six Months Ended June 30,2024202320242023Net income$3,625Â $50,013Â $19,746Â $82,856Â Shares used to compute basic net income per share35,697Â 36,047Â 35,644Â 35,952Â Dilutive potential common sharesStock options49Â 119Â 66Â 136Â Unvested restricted stock awards236Â 240Â 313Â 402Â Shares used to compute diluted net income per share35,982Â 36,406Â 36,023Â 36,490Â Basic net income per share$0.10Â $1.39Â $0.55Â $2.31Â Diluted net income per share$0.10Â $1.37Â $0.55Â $2.27Â Dilutive shares included in the calculation1,051Â 1,112Â 1,204Â 1,400Â Anti-dilutive shares excluded from the calculation1,992Â 1,041Â 1,329Â 611Â 22Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)(13)Â Geographic InformationThe following table presents the Companyâ€™s revenue based on customer location (in thousands):Â Â Three Months Ended June 30,Six Months EndedJune 30,Â 2024202320242023North America$120,120Â $96,202Â $230,547Â $195,342Â Europe53,373Â 58,413Â 108,773Â 117,447Â Rest of the world46,560Â 54,225Â 95,048Â 111,331Â Total revenue$220,053Â $208,840Â $434,368Â $424,120Â The United States, included in North America in the above table, accounted for 50% and 43% of consolidated revenue for the six months ended JuneÂ 30, 2024 and 2023, respectively. No other country accounts for more than 10% of the Companyâ€™s revenue in any period presented. The Companyâ€™s long-lived tangible assets were located as follows (in thousands):As of June 30,As of December 31,20242023North America$44,752Â $46,531Â Europe18,248Â 17,695Â Rest of the world69Â 74Â Total long-lived tangible assets$63,069Â $64,300Â The United States, included in North America in the above table, accounted for 67% and 68% of total long-lived tangible assets as of JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. Ireland, included in Europe in the above table, accounted for 22% and 21% of total long-lived tangible assets as of JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. No other country accounts for more than 10% of the Companyâ€™s long-lived tangible assets in any period presented. (14)Â Commitments and ContingenciesAs of JuneÂ 30, 2024, the Company had total non-lease obligations in the amount of approximately $68.7Â million, which consisted primarily of minimum royalty guarantees and unconditional purchase obligations related to contracts for infrastructure and other business services. As of JuneÂ 30, 2024, the Companyâ€™s non-lease obligations for the remainder of 2024 and for the years ending DecemberÂ 31, 2025, and 2026 were approximately $28.7Â million, $34.3Â million, and $5.7Â million, respectively.Legal MattersFrom 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 Companyâ€™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 occurrence 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.23Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)Indemnification and Employment AgreementsIn 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 Companyâ€™s intellectual property warranties for damages to the customer directly attributable to the Companyâ€™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 six months ended JuneÂ 30, 2024, 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.Pursuant to the Companyâ€™s charter documents and separate written indemnification agreements, the Company has certain indemnification obligations to its executive officers, certain employees and directors, as well as certain former officers and directors.The Company has also entered into employment agreements with its executive officers and certain employees. These agreements specify various employment-related matters, including annual compensation, performance incentive bonuses, and severance benefits in the event of termination or in the event of a change in control or otherwise, with or without cause. (15) Subsequent EventsEnvato AcquisitionOn July 22, 2024, the Company completed its previously announced acquisition of Envato Pty Ltd. (â€œEnvatoâ€) pursuant to a Share Purchase Agreement (the â€œPurchase Agreementâ€) entered into on May 1, 2024, pursuant to which the Company purchased all of the issued and outstanding capital stock of Envato. The aggregate consideration paid by the Company, after customary working capital and other adjustments in accordance with the terms of the Purchase Agreement, was $250Â million. We are currently in the process of valuing the assets acquired and liabilities assumed in the acquisition. Amended and Restated Credit FacilityThe Envato acquisition was funded through an amended and restated credit agreement (the â€œA&R Credit Agreementâ€), 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 â€œTerm Loanâ€) in an aggregate principal amount of $125.0Â million and (ii) senior unsecured revolving credit facility (the â€œRevolverâ€) in an aggregate principal amount of $250.0Â million. The A&R Credit Agreement provides for a letter of credit subfacility and a swingline facility. At the Companyâ€™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 Companyâ€™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 Companyâ€™s consolidated net leverage ratio, plus a credit spread adjustment of 0.100%. On July 22, 2024, the Company borrowed $280Â million under the A&R Credit Agreement, of which $125Â million was funded from the Term Loan and $155Â million funded from the Revolver. The A&R Credit Agreement contains customary affirmative and negative covenants, including, without limitation, covenants limiting the ability of the Company and its subsidiaries to, among other things, incur debt, grant liens, undergo certain fundamental changes, make investments, make certain restricted payments, dispose of assets, enter into transactions with affiliates, and enter into burdensome agreements, in each case, subject to limitations and exceptions set forth in the A&R Credit Agreement. 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.24Table of ContentsShutterstock,Â Inc.Notes to Consolidated Financial StatementsÂ (unaudited)The A&R Credit Agreement also contains customary events of default that include, among other things, certain payment defaults, cross defaults to other indebtedness, inaccuracy of representations and warranties, covenant defaults, change of control defaults, judgment defaults, and bankruptcy and insolvency defaults. If an event of default exists, the Administrative Agent on behalf of the lenders may require immediate payment of all obligations under the A&R Credit Agreement and may exercise certain other rights and remedies provided for under the A&R Credit Agreement, the other loan documents and applicable law. Under certain circumstances, a default interest rate will apply to certain obligations during the existence of an event of default under the A&R Credit Agreement at a per annum rate equal to 2.00% above the applicable interest rate.25Table of ContentsÂ ItemÂ 2. Â Â Â Â Â Â Â Â Managementâ€™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 FormÂ 10-Q and with information contained in our other filings, including the audited consolidated financial statements included in our 2023 FormÂ 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 â€œForward Looking Statementsâ€ above. See also the â€œRisk Factorsâ€ disclosures contained in our 2023 FormÂ 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. Overview and Recent Developments Shutterstock, Inc. (referred to herein as the â€œCompany,â€ â€œwe,â€ â€œour,â€ and â€œusâ€) 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 â€œContentâ€ 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 â€œData, Distribution, and Servicesâ€ offerings).Over 1.9Â million active, paying customers contributed to our revenue for the twelve-month period ended JuneÂ 30, 2024.Our Content OfferingOur Content offering includes licenses for: â€¢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. â€¢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. â€¢Music - consisting of high-quality music tracks and sound effects, which are often used to complement images and footage. â€¢3 Dimensional (â€œ3Dâ€) 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. â€¢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; and Offset. Shutterstock, our flagship brand, includes various content types such as image, footage, music and editorial.26Table of ContentsÂ Pond5 is a video-first content marketplace which expands the Companyâ€™s content offerings across footage, image and music. TurboSquid operates a marketplace that offers more than one million 3D models and a 2 dimensional (â€œ2Dâ€) 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 worldâ€™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. On FebruaryÂ 1, 2024, we acquired Backgrid USA, Inc. and Backgrid London, Ltd. (collectively â€œBackgridâ€). Backgrid supplies media organizations with real-time celebrity content.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.In 2023, we completed our acquisition of Giphy, Inc. (â€œGiphyâ€). Giphy is a content platform that allows users to personalize casual conversations with GIFs, and generates billions of monthly impressions through over 14,000 API partners. We believe customers in all industries will look to use Giphy in marketing campaigns as another advertising outlet.Our Data, Distribution, and Services offering also includes high-quality production and custom content at scale provided by Shutterstock Studios (â€œStudiosâ€). 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.Acquisition of Backgrid USA, Inc. and Backgrid London LTDOn FebruaryÂ 1, 2024, the

Company completed its acquisition of all of the outstanding shares of Backgrid USA, Inc. and Backgrid London LTD, (collectively, â€œBackgridâ€), for approximately $20Â million, subject to customary working capital adjustments. The total purchase price was paid with existing cash on hand. Backgrid supplies media organizations with real-time celebrity content. The Company believes this acquisition expands Shutterstock Editorialâ€™s Newsroom offering of editorial images and footage across celebrity, red carpet and live-events. Acquisition of Envato Pty Ltd.On July 22, 2024, the Company completed its previously announced acquisition of Envato Pty Ltd. (â€œEnvatoâ€) pursuant to a Share Purchase Agreement (the â€œPurchase Agreementâ€) entered into on May 1, 2024, pursuant to which the Company purchased all of the issued and outstanding capital stock of Envato. The aggregate consideration paid by the Company, after customary working capital and other adjustments in accordance with the terms of the Purchase Agreement, was $250Â million. We are currently in the process of valuing the assets acquired and liabilities assumed in the acquisition. The addition of Envato:â€¢Complements Shutterstockâ€™s existing offering with Envato Elements, a leading unlimited multi-asset subscription offering, â€¢Expands Shutterstockâ€™s reach within faster growing audiences such as freelancers, hobbyists, small businesses and agencies, â€¢Increases Shutterstockâ€™s Content revenue from video, audio, graphics, fonts and templates, â€¢Bolsters Shutterstockâ€™s content library with 10 million images, 6 million videos, 1 million audio clips, 0.5 million templates and 0.2 million graphics & fonts, and â€¢Further diversifies Shutterstock into new content types including code & web themes, product mock-ups, fonts and templates (e.g. Slides, PowerPoint, Keynote, WordPress, video, designs for social posts, gaming, podcasts and print-on-demand).27Table of ContentsÂ Key Operating MetricsIn addition to key financial metrics, we regularly review a number of key operating metrics to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe that these metrics can be useful for understanding the underlying trends in our business. Subscribers, subscriber revenue and average revenue per customer from acquisitions are included in these metrics beginning twelve months after the closing of the respective business combination. Accordingly, the metrics include Subscribers, Subscriber revenue, and Average revenue per customer from Pond5 and Splash News beginning May 2023. These metrics exclude the respective counts and revenues from Giphy and Backgrid. SubscribersWe 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 RevenueWe 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 CustomerAverage 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 DownloadsWe 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. Revenue per DownloadWe define revenue per download as the amount of revenue recognized in a given period divided by the number of paid downloads in that period excluding revenue from our Studios business, revenue that is not derived from or associated with content licenses and revenue associated with our data deal offering. This metric captures any changes in our pricing, including changes resulting from the impact of competitive pressures, as well as the mix of licensing options that our customers choose, some of which generate more revenue per download than others, and the impact that changes in foreign currency rates have on our pricing. Changes in revenue per download are primarily driven by the introduction of new product offerings, changes in product and sales channel mix and customer utilization of our products. Content in our CollectionWe define content in our collection as the total number of approved images (photographs, vectors and illustrations) and footage (in number of clips) in our library at the end of the period. We exclude content from this collection metric that is not uploaded directly to our site but is available for license by our customers through an application program interface, content from our Studios business and AI generated content. Prior to December 31, 2022, this metric only included approved images and footage clips in our library on shutterstock.com at the end of the period. We believe that our large selection of high-quality content enables us to attract and retain customers and drives our network effect. 28Table of ContentsÂ The following table summarizes our key operating metrics, which are unaudited, for the three and six months ended JuneÂ 30, 2024 and 2023:Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023Â Subscribers (end of period)1490,000Â 556,000Â 490,000Â 556,000Â Subscriber revenue (in millions)1$80.3Â $87.4Â $164.2Â $178.0Â Average revenue per customer (last twelve months)1$434Â $374Â $434Â $374Â Paid downloads (in millions)33.4Â 38.5Â 68.4Â 81.2Â Revenue per download$5.09Â $4.71Â $5.03Â $4.56Â Content in our collection (end of period, in millions):Images837Â 734Â 837Â 734Â Footage clips58Â 50Â 58Â 50Â ____1 Subscribers, Subscriber Revenue and Average Revenue Per Customer from acquisitions are included in these metrics beginning twelve months after the closing of the respective business combination. Accordingly, the metrics include Subscribers, Subscriber revenue, and Average revenue per customer from Pond5 and Splash News beginning May 2023. These metrics exclude the respective counts and revenues from our acquisitions of Giphy and Backgrid. 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 2023 FormÂ 10-K, under â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€”Critical Accounting Estimates.â€ See Note 1 to our Unaudited Consolidated Financial Statements included in PartÂ I,Â Item 1 of this Quarterly Report on FormÂ 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 2023 Form 10-K. 29Table of ContentsÂ Key Components of Our Results of Operations RevenueWe 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 customersâ€™ 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 licenseable metadata at unique scales and quality. Our metadata customer base ranges from large technology and media companies to smaller start-up organizations. In 2023, we completed our acquisition of Giphy, Inc. (â€œGiphyâ€). Giphy is a content platform that allows used to personalize casual conversations with GIFs, and generates billions of monthly impressions through over 14,000 API partners. We believe customers in all industries will look to use Giphy in marketing campaigns as another advertising outlet. Our Data, Distribution, and Services offering also includes high-quality production and custom content at scale provided by Shutterstock Studios (â€œStudiosâ€). 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 Companyâ€™s revenues by distribution channel for the three and six months ended JuneÂ 30, 2024 and 2023 are as follows (in thousands):Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Content$169,951Â $186,963Â $343,781Â $380,947Â Data, Distribution, and Services50,102Â 21,877Â 90,587Â 43,173Â Total Revenues$220,053Â $208,840Â $434,368Â $424,120Â Costs and ExpensesCost 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. 30Table of ContentsÂ 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. Bargain Purchase Gain. A bargain purchase gain is recognized subsequent to an acquisition, if the fair value of the net assets acquired and liabilities assumed exceeds the net consideration.Other (Expense) / Income, Net. Other (expense) / 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. 31Table of ContentsÂ 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.Â Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023Â (inÂ thousands)Consolidated Statements of Operations:Â Â Â Â Revenue$220,053Â $208,840Â $434,368Â $424,120Â Operating expenses:Cost of revenue91,254Â 84,416Â 179,458Â 162,579Â Sales and marketing51,881Â 48,392Â 108,117Â 95,919Â Product development19,859Â 29,218Â 40,910Â 44,624Â General and administrative36,393Â 38,099Â 68,471Â 71,914Â Total operating expenses199,387Â 200,125Â 396,956Â 375,036Â Income from operations20,666Â 8,715Â 37,412Â 49,084Â Bargain purchase gainâ€”Â 41,940Â â€”Â 41,940Â Other (expense) / income, net(4,106)726Â (462)1,771Â Income before income taxes16,560Â 51,381Â 36,950Â 92,795Â Provision for income taxes12,935Â 1,368Â 17,204Â 9,939Â Net income$3,625Â $50,013Â $19,746Â $82,856Â The following table presents the components of our results of operations for the periods indicated as a percentage of revenue:Â Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023Consolidated Statements of Operations:Â Â Â Â Revenue100Â %100Â %100Â %100Â %Operating expenses:Cost of revenue41Â %40Â %41Â %38Â %Sales and marketing24Â %23Â %25Â %23Â %Product development9Â %14Â %9Â %11Â %General and administrative17Â %18Â %16Â %17Â %Total operating expenses91Â %96Â %91Â %88Â %Income from operations9Â %4Â %9Â %12Â %Bargain purchase gainâ€”Â %20Â %â€”Â %10Â %Other (expense) / income, net(2)%â€”Â %â€”Â %â€”Â %Income before income taxes8Â %25Â %9Â %22Â %Provision for income taxes6Â %1Â %4Â %2Â %Net income2Â %24Â %5Â %20Â %______________________________Note: Due to rounding, percentages may not sum to totals. 32Table of ContentsÂ Comparison of the Three Months Ended JuneÂ 30, 2024 and 2023The following table presents our results of operations for the periods indicated (in thousands):Â Three Months Ended June 30,Â 20242023$Â Change%Â ChangeConsolidated Statements of Operations:Â Â Â Â Revenue$220,053Â $208,840Â $11,213Â 5Â %Operating expenses:Â Â Cost of revenue91,254Â 84,416Â 6,838Â 8Â Sales and marketing51,881Â 48,392Â 3,489Â 7Â Product development19,859Â 29,218Â (9,359)(32)General and administrative36,393Â 38,099Â (1,706)(4)Total operating expenses199,387Â 200,125Â (738)â€”Â Income from operations20,666Â 8,715Â 11,951Â 137Â Bargain purchase gainâ€”Â 41,940Â (41,940)*Other (expense) / income, net(4,106)726Â (4,832)(666)Income before income taxes16,560Â 51,381Â (34,821)(68)Provision for income taxes12,935Â 1,368Â 11,567Â 846Â Net income$3,625Â $50,013Â $(46,388)(93)%RevenueRevenue increased by $11.2Â million, or 5%, to $220.1Â million for the three months ended JuneÂ 30, 2024, compared to the same period in 2023. On a constant currency basis, revenue increased approximately 6% in the three months ended JuneÂ 30, 2024, compared to the same period in 2023.The Companyâ€™s Content revenues decreased by 9%, to $170.0Â million in the three months ended JuneÂ 30, 2024, compared to the same period in 2023. The decline in our Content revenues was driven by weakness in new customer acquisition. In the three months ended JuneÂ 30, 2024 and 2023, we delivered 33.4Â million and 38.5Â million paid downloads, respectively, and our revenue per download was $5.09 and $4.71 for the three months ended JuneÂ 30, 2024 and 2023, respectively. During the three months ended JuneÂ 30, 2024, the decline in paid downloads is attributed to the decline in the Content business. The Companyâ€™s Data, Distribution, and Services revenues increased by 129%, to $50.1Â million in the three months ended JuneÂ 30, 2024, compared to the same period in 2023. The increase in Data, Distribution, and Services revenues was driven by growth in our data offering, which grew 119% in the three months ended JuneÂ 30, 2024 compared to the same period in 2023. Changes in our revenue by region were as follows: revenue from North America increased by $23.9Â million, or 25%, to $120.1Â million, revenue from Europe decreased by $5.0Â million, or 9%, to $53.4Â million and revenue from outside Europe and North America decreased by $7.7Â million, or 14%, to $46.6Â million, in the three months ended JuneÂ 30, 2024 compared to the same period in 2023. Costs and ExpensesCost of Revenue. Cost of revenue increased by $6.8Â million to $91.3Â million in the three months ended JuneÂ 30, 2024 compared to the same period in 2023. This increase was driven by: (i) higher costs associated with website hosting, hardware and software licenses; (ii) increased depreciation and amortization expense driven by our recent acquisitions; and (iii) increased royalty and content costs. We expect that our cost of revenue will continue to fluctuate in-line with changes in revenue. Sales and Marketing. Sales and marketing expenses increased by $3.5Â million, or 7%, to $51.9Â million in the three months ended JuneÂ 30, 2024 compared to the same period in 2023. As a percentage of revenue, sales and marketing expenses increased to 24% for the three months ended JuneÂ 30, 2024, from 23% for the same period in 2023. This was driven by a $3.2Â million increase in employee-related costs (of which there was a $1.1Â million increase from recurring Giphy Retention Compensation expenses and a

$0.5Â million decrease from non-recurring Giphy Retention Compensation expenses), and a $0.5Â million increase in outside consultant expenses, partially offset by a $1.5Â million decrease in marketing spend for brand 33Table of ContentsÂ and performance-based marketing. 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 $9.4Â million to $19.9Â million in the three months ended JuneÂ 30, 2024 compared to the same period in 2023. The decrease in product development was driven by an $8.6Â million decrease in employee-related costs (of which there was a $1.2Â million increase from recurring Giphy Retention Compensation expenses and a $7.8Â million decrease from non-recurring Giphy Retention Compensation expenses), and a $0.9Â million decrease in outside consultant expenses. 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 decreased by $1.7Â million to $36.4Â million in the three months ended JuneÂ 30, 2024 compared to the same period in 2023. This decrease was driven by a $3.4Â million decrease in employee-related costs (of which there was a $0.4Â million increase from recurring Giphy Retention Compensation expenses and a $2.0Â million decrease from non-recurring Giphy Retention Compensation expenses), offset by a $1.0Â million increase in professional fees. In the second quarter of 2024, our transaction related acquisition costs were $3.1 million, compared to transaction related acquisition costs of $3.0 million in the second quarter of 2023. Bargain Purchase Gain. In the three months ended JuneÂ 30, 2023, we recognized a bargain purchase gain of $41.9Â million related to the acquisition of Giphy, which represents the excess of the fair value of the net assets acquired in addition to the net negative purchase price. Other (Expense) / Income, Net. In the three months ended JuneÂ 30, 2024, other (expense) / income, net was driven by $3.6Â million of unrealized losses related to our investment in Meitu, Inc. In addition, other (expense) / income, net had $1.3 million of interest income, $1.3Â million of unfavorable unrealized foreign currency losses and $0.6Â million of interest expense related to our credit facility. During the three months ended JuneÂ 30, 2023, other (expense) / income, net substantially consisted of $0.7Â million of interest income and $0.6Â million of favorable unrealized foreign currency fluctuations, partially offset by $0.5Â million of interest expense related to our credit facility. As we increase the volume of business transacted in foreign currencies resulting from international expansion and as currency rates fluctuate, we expect foreign currency gains and losses to continue to fluctuate. Income Taxes. Income tax expense increased by $11.6Â million for the three months ended JuneÂ 30, 2024, compared to the same period in 2023. Our effective tax rates were 78.1% and 2.7% for the three months ended JuneÂ 30, 2024 and 2023, respectively.For the three months ended JuneÂ 30, 2024, the net effect of discrete items increased the effective tax rate by 59.7%. The discrete items for the three months ended JuneÂ 30, 2024 relate to shortfalls on equity award vestings and a one-time charge of $6.3Â million related to the reversal of a deferred tax asset resulting from the expiration of equity awards granted to the Companyâ€™s Founder and Executive Chairman. Excluding discrete items, our effective tax rate would have been 18.4% for the three months ended JuneÂ 30, 2024. For the three months ended JuneÂ 30, 2023, the net effect of discrete items decreased the effective tax rate by 13.6%. The discrete items for the three months ended JuneÂ 30, 2023 relate to the non-taxable bargain purchase gain associated with the acquisition of Giphy. Excluding discrete items, our effective tax rate would have been 16.3% for the three months ended JuneÂ 30, 2023. As we continue to expand our operations outside of the United States, we have been and may continue to become subject to taxation in additional non-U.S. jurisdictions and our effective tax rate could fluctuate accordingly.34Table of ContentsÂ Comparison of the Six Months Ended JuneÂ 30, 2024 and 2023The following table presents our results of operations for the periods indicated:Â Six Months Ended June 30,Â 20242023$Â Change%Â ChangeÂ (inÂ thousands)Â Consolidated Statements of Operations Data:Â Â Â Â Revenue$434,368Â $424,120Â $10,248Â 2Â %Operating expenses:Â Â Cost of revenue179,458Â 162,579Â 16,879Â 10Â %Sales and marketing108,117Â 95,919Â 12,198Â 13Â %Product development40,910Â 44,624Â (3,714)(8)%General and administrative68,471Â 71,914Â (3,443)(5)%Total operating expenses396,956Â 375,036Â 21,920Â 6Â %Income from operations37,412Â 49,084Â (11,672)(24)%Bargain purchase gainâ€"Â 41,940Â (41,940)*Other (expense) / income, net(462)1,771Â (2,233)(126)%Income before income taxes36,950Â 92,795Â (55,845)(60)%Provision for income taxes17,204Â 9,939Â 7,265Â 73Â %Net income$19,746Â $82,856Â $(63,110)(76)%*Not meaningfulRevenueRevenue increased by $10.2Â million, or 2%, to $434.4 million in the six months ended JuneÂ 30, 2024 compared to the same period in 2023. On a constant currency basis, revenue increased approximately 3% in the six months ended JuneÂ 30, 2024, compared to the same period in 2023.The Companyâ€™s Content revenues decreased by 10%, to $343.8 million in the six months ended JuneÂ 30, 2024, compared to the same period in 2023. On a constant currency basis, revenue decreased approximately 9% in the six months ended JuneÂ 30, 2024, compared to the same period in 2023. The decline in our Content revenues was driven by weakness in new customer acquisition.In the six months ended JuneÂ 30, 2024 and 2023, we delivered 68.4Â million and 81.2 million paid downloads, respectively, and our revenue per download was $5.03 and $4.56 for the six months ended JuneÂ 30, 2024 and 2023, respectively. During the six months ended JuneÂ 30, 2024, the decline in paid downloads is attributed to the decline in the Content business. The Companyâ€™s Data, Distribution, and Services revenues increased by 110%, to $90.6 million in the six months ended JuneÂ 30, 2024, compared to the same period in 2023. Foreign currency fluctuations did not have a significant impact on the Companyâ€™s Data, Distribution, and Services revenues in the six months endedÂ JuneÂ 30, 2024. The increase in Data, Distribution, and Services revenues was driven by growth in our data offering, which grew 96% in the six months ended JuneÂ 30, 2024. Changes in our revenue by region were as follows: revenue from North America increased by $35.2 million, or 18%, to $230.5 million, revenue from Europe decreased by $8.7 million, or 7%, to $108.8Â million and revenue from outside Europe and North America decreased by $16.3 million, or 15%, to $95.0 million, in the six months ended JuneÂ 30, 2024 compared to the same period in 2023. Costs and ExpensesCost of Revenue. Â Cost of revenue increased by $16.9 million, or 10%, to $179.5 million in the six months ended JuneÂ 30, 2024 compared to the same period in 2023. This increase was driven by: (i) increased depreciation and amortization expense driven by our recent acquisitions; (ii) increased royalty and content costs; (iii) higher costs associated with website hosting, hardware and software licenses; and (iv) a net increase in Giphy Retention Compensation, recurring and non-recurring expenses. We expect that our cost of revenue will continue to fluctuate in line with changes in revenue. Sales and Marketing. Â Sales and marketing expenses increased by $12.2 million, or 13%, to $108.1 million in the six months ended JuneÂ 30, 2024 compared to the same period in 2023. As a percent of revenue, sales and marketing expenses 35Table of ContentsÂ increased to 25% for the six months ended JuneÂ 30, 2024, from 23% for the same period in 2023. This increase was driven by a $6.4 million increase in employee-related costs (of which there was a $2.3 million increase from recurring Giphy Retention Compensation expenses and a $0.3 million decrease from non-recurring Giphy Retention Compensation expenses), and a $4.0 million increase in performance marketing spend. 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. Â Product development expenses decreased by $3.7 million, or 8%, to $40.9 million in the six months ended JuneÂ 30, 2024 as compared to the same period in 2023. This decrease in product development was driven by a $3.5 million decrease in employee-related costs (of which there was a $3.9 million increase from recurring Giphy Retention Compensation expenses and a $3.4 million decrease from non-recurring Giphy Retention Compensation expenses) for the six months ended JuneÂ 30, 2024 compared to the same period in 2023. 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. Â General and administrative expenses decreased by $3.4 million, or 5%, to $68.5Â million in the six months ended JuneÂ 30, 2024 compared to the same period in 2023. This decrease was driven by a $2.0 million decrease in employee-related costs (of which there was a $0.9 million increase from recurring Giphy Retention Compensation expenses and a $0.4 million decrease from non-recurring Giphy Retention Compensation expenses), a $2.8 million decrease in bad debt expense, and a $1.5 million decrease in other expenses, related to severance expenses incurred in 2023. The decrease was partially offset by a $3.3 million increase in professional fees. In the six months ended JuneÂ 30, 2024, our transaction related acquisition costs were $4.9 million, compared to transaction related acquisition costs of $3.0 million in the six months ended JuneÂ 30, 2023.Bargain Purchase Gain. In the six months ended JuneÂ 30, 2023, we recognized a bargain purchase gain of $41.9Â million related to the acquisition of Giphy, which represents the excess of the fair value of the net assets acquired in addition to the net negative purchase price. Other (Expense) / Income, Net. During the six months ended JuneÂ 30, 2024, other (expense) / income, net substantially consisted of $1.9Â million of unfavorable unrealized foreign currency fluctuations and $1.1Â million of interest expense related to our credit facility, partially offset by $2.4Â million of interest income. During the six months ended JuneÂ 30, 2023 other (expense) / income, net consisted of $1.7Â million of favorable unrealized foreign currency fluctuations and $0.8Â million of interest income, partially offset by $0.7Â million of interest expense related to our credit facility. As we increase the volume of business transacted in foreign currencies resulting from international expansion and as currency rates fluctuate, we expect foreign currency gains and losses to continue to fluctuate. Income Taxes. Income tax expense increased by $7.3 million for the six months ended JuneÂ 30, 2024 as compared to the same period in 2023. Our effective tax rates for the six months ended JuneÂ 30, 2024 and 2023 were 46.6% and 10.7%, respectively.Â For the six months ended JuneÂ 30, 2024, the net effect of discrete items increased the effective tax rate by 27.6%. The discrete items for the six months ended JuneÂ 30, 2024 relate to shortfalls on equity award vestings and a one-time charge of $6.3Â million related to the reversal of a deferred tax asset resulting from the expiration of equity awards granted to the Companyâ€™s Founder and Executive Chairman. Excluding discrete items, our effective tax rate would have been 19.0% for the six months ended JuneÂ 30, 2024. For the six months ended JuneÂ 30, 2023, the net effect of discrete items decreased the effective tax rate by 7.1%. The discrete items for the six months ended JuneÂ 30, 2023 relate to the non-taxable bargain purchase gain associated with the acquisition of Giphy. Excluding discrete items, our effective tax rate would have been 17.8% for the six months ended JuneÂ 30, 2023. 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 TrendsOur 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 customersâ€™ 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. 36Table of ContentsÂ 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 JuneÂ 30, 2024, we had cash and cash equivalents totaling $74.9 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 credit facility, which was obtained on May 6, 2022. 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. DividendsWe declared and paid cash dividends of $0.60 per share of common stock, or $21.3 million during the six months ended JuneÂ 30, 2024. On JulyÂ 22, 2024, our Board of Directors declared a quarterly cash dividend of $0.30 per share of outstanding common stock payable on SeptemberÂ 12, 2024 to stockholders of record at the close of business on AugustÂ 29, 2024. Future declarations of dividends are subject to the final determination of our Board of Directors, and will depend on, among other things, our future financialÂ 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 ProgramIn June 2023, our Board of Directors approved a share repurchase program (the â€œ2023 Share Repurchase Programâ€), 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 2023 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 JuneÂ 30, 2024, we have repurchased approximately 4.9 million shares of our common stock under the 2023 Share Repurchase Program at an average per-share cost of $50.49. During the six months ended JuneÂ 30, 2024, we repurchased approximately 517,000 shares of our common stock at an average cost of $39.83. During the three and six months ended JuneÂ 30, 2023, we repurchased approximately 80,400 shares of common stock at an average cost of $49.78 under the 2023 Share Repurchase Program. As of JuneÂ 30, 2024, we had $51Â million of remaining authorization for repurchases under the 2023 Share Repurchase Program. Revolving Credit FacilityOn May 6, 2022, we entered into a five-year $100Â million unsecured revolving loan facility (the â€œCredit Facilityâ€) with Bank of America, N.A., as Administrative Agent and other lenders. The Credit Facility includes a letter of credit sub-facility and a swingline facility and it also permits, subject to the satisfaction of certain conditions, up to $100Â million of additional revolving loan commitments with the consent of the Administrative Agent. At our option, revolving loans accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.125% to 0.500%, determined based on the Companyâ€™s consolidated leverage ratio or (ii) the Term Secured Overnight Financing Rate (â€œSOFRâ€) (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.125% to 1.5%, determined based on our consolidated leverage ratio. We are also required to pay an unused commitment fee ranging from 0.150% to 0.225%, determined based on the Companyâ€™s consolidated leverage ratio. In connection with the execution of this agreement, we paid debt issuance costs of approximately $0.6 million. As of JuneÂ 30, 2024 and DecemberÂ 31, 2023, we had $30 million of outstanding borrowings under the Credit Facility. As of JuneÂ 30, 2024, we had a remaining borrowing capacity of $68 million, net of standby letters of credit. 37Table of ContentsÂ The Credit Facility contains financial covenants and requirements restricting certain of our activities, which are usual and customary for this type of loan. We are also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio, in each case, determined in accordance with the terms of the Credit Facility. As of JuneÂ 30, 2024, we are in compliance with these covenants. Amended and Restated Credit FacilityThe Envato acquisition was funded through an amended and restated credit agreement (the â€œA&R Credit Agreementâ€), 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 â€œTerm Loanâ€) in an aggregate principal amount of $125.0Â million and (ii) senior unsecured revolving credit facility (the â€œRevolverâ€) in an aggregate principal amount of $250.0Â million. The A&R Credit Agreement provides for a letter of credit subfacility and a swingline facility. At the Companyâ€™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 Companyâ€™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 Companyâ€™s consolidated net leverage ratio, plus a credit spread adjustment of 0.100%. On July 22, 2024, the Company borrowed $280Â million under the A&R Credit Agreement, of which

$125Â million was funded from the Term Loan and $155Â million funded from the Revolver. The A&R Credit Agreement contains customary affirmative and negative covenants, including, without limitation, covenants limiting the ability of the Company and its subsidiaries to, among other things, incur debt, grant liens, undergo certain fundamental changes, make investments, make certain restricted payments, dispose of assets, enter into transactions with affiliates, and enter into burdensome agreements, in each case, subject to limitations and exceptions set forth in the A&R Credit Agreement. 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 AgreementThe A&R Credit Agreement also contains customary events of default that include, among other things, certain payment defaults, cross defaults to other indebtedness, inaccuracy of representations and warranties, covenant defaults, change of control defaults, judgment defaults, and bankruptcy and insolvency defaults. If an event of default exists, the Administrative Agent on behalf of the lenders may require immediate payment of all obligations under the A&R Credit Agreement and may exercise certain other rights and remedies provided for under the A&R Credit Agreement, the other loan documents and applicable law. Under certain circumstances, a default interest rate will apply to certain obligations during the existence of an event of default under the A&R Credit Agreement at a per annum rate equal to 2.00% above the applicable interest rate.Sources and Uses of FundsWe 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 12Â 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.Â As of JuneÂ 30, 2024, we had approximately $69 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 JuneÂ 30, 2024, we had approximately $42 million in operating lease obligations with lease payments extending through 2029. See Note 14 to our Unaudited Consolidated Financial Statements included in PartÂ I,Â Item 1 of this Quarterly Report on FormÂ 10-Q for information regarding our existing capital commitments as of JuneÂ 30, 2024. 38Table of ContentsÂ Cash FlowsÂ The following table summarizes our cash flow data for the six months ended JuneÂ 30, 2024 and 2023 (in thousands):Â Six Months Ended June 30,Â 20242023Net cash provided by operating activities$36,265Â $96,589Â Net cash used in investing activities$(8,227)$(66,128)Net cash used in financing activities$(50,778)$(57,929)Operating ActivitiesOur 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 $36.3 million for the six months ended JuneÂ 30, 2024, compared to Net cash provided by operating activities of $96.6Â million for the six months ended JuneÂ 30, 2023. In the six months ended JuneÂ 30, 2024, operating cash flows included 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 six months ended JuneÂ 30, 2023 were favorably impacted from an increase in operating income and changes in the timing of cash collections from data deal customers, which had large receivable balances at the end of 2022, and lower payments pertaining to operating expenses, which can cause operating cash flow to fluctuate from period to period. In addition, operating cash flows for the six months ended JuneÂ 30, 2023 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 six months ended JuneÂ 30, 2024 was $8.2 million, consisting primarily of (i) capital expenditures of $23.5 million for internal-use software and website development costs and purchases of software and equipment, (ii) $19.5 million used in the acquisition of Backgrid, net of cash acquired, and (iii) $1.8 million paid to acquire the rights to distribute certain digital content into perpetuity. These cash outflows were partially offset by (i) $36.5 million of Giphy Retention Compensation, as reimbursed by the Giphy seller. Cash used in investing activities in the six months ended JuneÂ 30, 2023 was $66.1 million, consisting primarily of (i) $53.7 million used in the acquisition of Giphy, net of cash acquired, (ii) capital expenditures of $22.9 million for internal-use software and website development costs and purchases of software and equipment, and (iii) $5.3 million paid to acquire the rights to distribute certain digital content in perpetuity. These cash outflows were partially offset by (i) $15.8 million of Giphy Retention Compensation, as reimbursed by the Giphy seller.Financing ActivitiesCash used in financing activities for the six months ended JuneÂ 30, 2024 was $50.8 million, consisting of (i) $21.3 million, related to the payment of the quarterly cash dividend; (ii) $20.6 million paid in connection with the repurchase of common stock under our 2023 Share Repurchase Program; and (iii) $8.9Â million paid in the settlement of tax withholding obligations related to employee stock-based compensation awards. Cash used in financing activities in the six months ended JuneÂ 30, 2023 was $57.9 million, consisting of (i) $50.0 million used for the repayment of our Credit Facility; (ii) $19.4 million related to the payment of the quarterly cash dividend; (iii) $14.5 million paid in settlement of tax withholding obligations related to employee stock-based compensation awards; and (iv) $4.0 million paid in connection with the repurchase of common stock under the 2023 Share Repurchase Program. These amounts were partially offset by $30.0 million proceeds received from our Credit Facility.39Table of ContentsÂ Non-GAAP Financial MeasuresTo 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 adjustedÂ net income, adjusted net income per diluted common share, adjusted EBITDA,Â adjusted EBITDA margin, revenue growth (including by product offering) on a constant currency basis (expressed as a percentage), and adjusted free cash flow. TheseÂ non-GAAPÂ 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 June 30,Six Months Ended June 30,2024202320242023Non-GAAP Financial Measures (in thousands):Adjusted net income(1)$35,897Â $39,058Â $69,018Â $86,192Â Adjusted EBITDA$62,072Â $60,055Â $118,049Â $129,819Â Adjusted free cash flow$36,184Â $33,351Â $47,430Â $84,219Â Revenue growth on a constant currency basis6Â %1Â %3Â %5Â %(1) The amount for the six months ended JuneÂ 30, 2024 is updated to correct an error in the calculation of adjusted net income previously presented for the three months ended March 31, 2024.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 managementâ€™s internal comparisons of the historical operating performance of its business operations; (iii) facilitate managementâ€™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.Â 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 Shutterstockâ€™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 Companyâ€™s overall business because such measures eliminate the effects of unusual or other infrequent charges that are not directly attributable to Shutterstockâ€™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 Shutterstockâ€™s operating performance. Management also believes that providing these non-GAAP financial measures enhances the comparability for investors in assessing Shutterstockâ€™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 Companyâ€™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 40Table of ContentsÂ significant effects on our operating results and financial condition. Additionally, our methods for measuring non-GAAP financial measures may differ from other companiesâ€™ 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 measureâ€™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 â€œGiphy Retention Compensation Expense - non-recurringâ€), are required payments in accordance with the terms of the acquisition. Metaâ€™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 Companyâ€™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 JuneÂ 30, 2024, the Company also incurred $5.1Â 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 ShareWe 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, 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):Â Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023(inÂ thousands)Net income$3,625Â $50,013Â $19,746Â $82,856Â Add / (less) Non-GAAP adjustments:Non-cash equity-based compensation14,976Â 14,943Â 26,126Â 23,586Â Tax effect of non-cash equity-based compensation(1)(2)2,835Â (3,512)215Â (5,543)Acquisition-related amortization expense(3)9,163Â 8,370Â 18,326Â 16,528Â Tax effect of acquisition-related amortization expense(1)(2,153)(1,967)(4,306)(3,884)Bargain purchase gainâ€”Â (41,940)â€”Â (41,940)Giphy Retention Compensation Expense - non-recurring4,715Â 17,191Â 11,544Â 17,191Â Tax effect of Giphy Retention Compensation Expense - non-recurring(1)(1,108)(4,040)(2,713)(4,040)Other(4)3,907Â â€”Â 141Â 1,856Â Tax effect of other(1)(63)â€”Â (61)(418)Adjusted net income(4)$35,897Â $39,058Â $69,018Â $86,192Â Net income per diluted common share$0.10Â $1.37Â $0.55Â $2.27Â Adjusted net income per diluted common share$1.00Â $1.07Â $1.92Â $2.36Â Weighted average diluted shares35,982Â 36,406Â 36,023Â 36,490Â (1)Statutory tax rates are used to calculate the tax effect of the adjustments. 41Table of ContentsÂ (2)The tax effect of non-cash equity-based compensation includes a $6.3Â million add-back for the reduction of deferred tax assets associated with the expiration of performance-based stock options and restricted stock units granted the Companyâ€™s Founder and Executive Chairman in 2014. The performance-based metrics were not met, the awards were not exercisable, and the Company recognized a non-cash tax expense for the change in deferred taxes.(3)Of these amounts, $8.2Â million and $7.7Â million are included in cost of revenue for the three months ended JuneÂ 30, 2024 and 2023, respectively, and $16.4Â million and $15.3Â million are included in cost of revenue for the six months ended JuneÂ 30, 2024 and 2023, respectively. The remainder of acquisition-related amortization expense is included in general and administrative expense in the Statement of Operations.(4)The amount for the six months ended JuneÂ 30, 2024 is updated to correct an error in the calculation of adjusted net income previously presented for the three months ended March 31, 2024. Other consists of unrealized gains and losses on investments and severance costs associated with strategic workforce optimizations.Adjusted EBITDA and Adjusted EBITDA MarginWe define adjusted EBITDA as net income adjusted for depreciation and amortization, non-cash equity-based compensation, bargain purchase gain related to the acquisition of Giphy, Giphy Retention Compensation Expense - non-recurring, 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):Â Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023(inÂ thousands)Net income$3,625Â $50,013Â $19,746Â $82,856Â Add / (less) Non-GAAP adjustments:Interest (income) / expense, net(787)(175)(1,268)(109)Provision for income taxes12,935Â 1,368Â 17,204Â 9,939Â Depreciation and amortization21,433Â 19,206Â 42,696Â 38,102Â EBITDA$37,206Â $70,412Â $78,378Â $130,788Â Non-cash equity-based compensation14,976Â 14,943Â 26,126Â 23,586Â Bargain purchase gainâ€”Â (41,940)â€”Â (41,940)Giphy Retention Compensation Expense - non-recurring4,715Â 17,191Â 11,544Â 17,191Â Foreign currency loss / (gain)1,268Â (551)1,860Â (1,662)Unrealized loss / (gain) on investment3,625Â â€”Â (130)â€”Â Workforce optimization - severance282Â â€”Â 271Â 1,856Â Adjusted EBITDA$62,072Â $60,055Â $118,049Â $129,819Â Revenue$220,053Â $208,840Â $434,368Â $424,120Â Net income margin1.6Â %23.9Â %4.5Â %19.5Â %Adjusted EBITDA margin28.2Â %28.8Â %27.2Â %30.6Â %42Table of ContentsÂ Revenue Growth (including by product offering) on a Constant Currency BasisWe 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. Â Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023Reported revenue (in thousands)$220,053Â $208,840Â $434,368Â $424,120Â Revenue growth5Â %1Â %2Â %4Â %Revenue growth on a constant currency basis6Â %1Â %3Â %5Â %Content reported revenue (in thousands)$169,951Â $186,963Â $343,781Â $380,947Â Content revenue growth(9)%(7)%(10)%(4)%Content revenue growth on a constant currency basis(9)%(7)%(9)%(3)%Data, Distribution, and Services reported revenue (in thousands)$50,102Â $21,877Â $90,587Â $43,173Â Data, Distribution, and Services revenue growth129Â %228Â %110Â %306Â %Data, Distribution, and Services revenue growth on a constant currency basis129Â %228Â %110Â %306Â %Adjusted Free Cash FlowWe define adjusted free cash flow as our net cash provided by operating activities, adjusted for capital expenditures, content acquisition and cash received related to Giphy Retention Compensation in connection with the acquisition of Giphy. 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):Â Three Months Ended June 30,Six Months Ended June 30,Â 2024202320242023Cash flow information:(inÂ thousands)Net cash provided by operating activities$27,965Â $29,814Â $36,265Â $96,589Â Net cash provided by / (used in) investing activities$8,301Â $(50,191)$(8,227)$(66,128)Net cash (used in) / provided by financing activities$(32,149)$12,738Â $(50,778)$(57,929)Adjusted free cash flow:Net cash provided by operating activities$27,965Â $29,814Â $36,265Â $96,589Â Capital expenditures(9,075)(10,490)(23,536)(22,870)Content acquisitions(827)(1,725)(1,821)(5,252)Cash received related to Giphy Retention Compensation18,121Â 15,752Â 36,522Â 15,752Â Adjusted Free Cash Flow$36,184Â $33,351Â $47,430Â $84,219Â 43Table of ContentsÂ ItemÂ 3. Â Â Â Â Â Â Â Â 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 RiskÂ 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 28% and 30% for the six months ended JuneÂ 30, 2024 and 2023, 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 six months ended JuneÂ 30, 2024, 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 entityâ€™s functional currency results in transactional gains and losses. Translation adjustments resulting from converting the foreign subsidiariesâ€™ financial statements into U.S. dollars are recorded as a component of accumulated other comprehensive loss in stockholdersâ€™ 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 June 30,Six Months Ended June 30,2024202320242023U.S. DollarsOriginating CurrencyU.S. DollarsOriginating CurrencyU.S. DollarsOriginating CurrencyU.S. DollarsOriginating CurrencyEuro$32,544Â â‚¬30,143Â $35,402Â â‚¬32,367Â $65,824Â â‚¬60,852Â $71,377Â â‚¬66,001Â British pounds14,550Â Â£11,560Â 14,330Â Â£11,303Â 28,871Â Â£22,919Â 28,398Â Â£22,740Â All other non-U.S. currencies(1)13,018Â 14,000Â 26,201Â 28,371Â Total foreign currency60,112Â 63,732Â 120,896Â 128,146Â U.S. dollar159,941Â 145,108Â 313,472Â 295,974Â Total revenue$220,053Â $208,840Â $434,368Â $424,120Â (1)Includes no single currency which exceeded 5% of total revenue for any of the periods presented.Interest Rate Fluctuation RiskOur cash and cash equivalents consist of cash and money market accounts. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. The fair value of our cash and cash equivalents is not particularly sensitive to interest rate changes. Amounts borrowed under our Credit Facility accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 0.125% to 0.500%, determined based on our consolidated leverage ratio or (ii) the Term Secured Overnight Financing Rate (for interest periods of 1, 3 or 6 months) plus a margin ranging from 1.125% to 1.5%, determined based on our consolidated leverage ratio. A hypothetical 10% change in interest rates would not have a material impact on our interest expense as of JuneÂ 30, 2024. Inflation RiskWe 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.44Table of ContentsÂ ItemÂ 4. Â Â Â Â Â Â Â Â Controls and Procedures. Evaluation of Disclosure Controls and ProceduresÂ 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 JuneÂ 30, 2024. The term â€œdisclosure controls and procedures,â€ as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the â€œExchange Actâ€), 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 SECâ€™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 companyâ€™s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. However, any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objective.Based on the evaluation of our disclosure controls and procedures as of JuneÂ 30, 2024, 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 ReportingThere were no changes in our internal control over financial reporting identified in managementâ€™s evaluation pursuant to RulesÂ 13a-15(d)Â or 15d-15(d)Â of the Exchange Act during the period covered by this Quarterly Report on FormÂ 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. 45Table of ContentsÂ PARTÂ II. Â Â Â Â OTHER INFORMATIONItemÂ 1.Â Â Â Â Â Â Â Â Legal Proceedings. Although we are not currently a party to any material active litigation, from time to time, third parties assert claims against us regarding intellectual property rights, employment matters, privacy issues and other matters arising during the ordinary course of business. Although we cannot be certain of the outcome of any litigation or the disposition of any claims, nor the amount of damages and exposure, if any, that we could incur, we currently believe that the final disposition of all existing matters will not have a material adverse effect on our business, results of operations, financial condition or cash flows. In addition, in the ordinary course of our business, we are also subject to periodic threats of lawsuits, investigations and claims. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.ItemÂ 1A.Â Â Â Â 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 FormÂ 10-Q, you should carefully consider the factors discussed in PartÂ I, â€œItemÂ 1A. Risk Factorsâ€ in our 2023 Form 10-K, which could materially affect our business, financial condition or future results. During the three months ended JuneÂ 30, 2024, there were no material changes to these risk factors as described in our 2023 Form 10-K. Item 2.Â Â Â Â Â Â Â Â Unregistered Sales of Equity Securities and Use of Proceeds. ISSUER PURCHASES OF EQUITY SECURITIESPeriod(a) Total Number of Shares (or Units) Purchased(b) Average Price Paid Per Share (or Unit)(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs(1)(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs(1)April 1 - 30, 2024â€”Â $â€”Â â€”Â May 1 - 31, 2024200,044Â 39.90Â 200,044Â June 1 - 30, 2024317,000Â 39.78Â 317,000Â 517,044Â $39.82Â 517,044Â $51,202,759Â ____(1)We purchased shares of our common stock in open market purchases pursuant to share repurchases authorized by our Board of Directors. In June 2023, our Board of Directors authorized the repurchase of up to $100 million of our common stock. As of JuneÂ 30, 2024, $51.2 million remained available for purchase under this authorization. ItemÂ 4.Â Â Â Â Â Â Â Â Mine Safety Disclosures. None.ItemÂ 5.Â Â Â Â Other Information. (c) Insider Trading ArrangementsOn May 28, 2024, during an open trading window, Jon Oringer, our Founder and Executive Chairman of the Board, entered into a written plan for the sale of the Companyâ€™s common stock intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) (the â€œ2024 Oringer Planâ€). The 2024 Oringer Plan expires in August 2025, and includes the potential sale of up to 225,000 shares monthly of our common stock.Except as disclosed above, during the quarter ended JuneÂ 30, 2024, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended), adopted or terminated a â€œRule 10b5-1 trading arrangementâ€ or a â€œnon-Rule 10b5-1 trading arrangementâ€ (each as defined in Item 408(a) and (c), respectively, of Regulation S-K).46Table of ContentsÂ ItemÂ 6.Â Â Â Â Â Â Â Â Exhibits. See the ExhibitÂ Index, which immediately precedes the signature pageÂ of this Quarterly Report on FormÂ 10-Q, which is incorporated herein by reference. 47Table of ContentsÂ EXHIBIT INDEXExhibitÂ Â NumberÂ ExhibitÂ Description2.1Stock Purchase Agreement among Shutterstock, Inc., Garnett-Saunders Pty Ltd, Draconis Holdings Pty Ltd, Taâ€™eed Felah Pty Ltd and Shutterstock AUS EMU Pty Ltd., dated May 1, 202410.1Â§Amended and Restated 2022 Omnibus Equity Incentive Plan10.2Â§Shutterstock, Inc. Form of Amended and Restated 2022 Omnibus Equity Incentive Plan Restricted Stock Unit Award Agreement10.3Â§Shutterstock, Inc. Form of Amended and Restated 2022 Omnibus Equity Incentive Plan Performance Stock Unit Award Agreement10.4Â§Amendment to the Employment Agreement, dated June 28, 2024, by and between Shutterstock, Inc. and Paul J. Hennessy31.1#Â Certification of Chief Executive Officer pursuant to Exchange Act RulesÂ 13a-14(a)Â and 15d-14(a), as adopted pursuant to SectionÂ 302 of the Sarbanes-Oxley Act of 200231.2#Â Certification of Chief Financial Officer pursuant to Exchange Act RulesÂ 13a-14(a)Â and 15d-14(a), as adopted pursuant to SectionÂ 302 of the Sarbanes-Oxley Act of 200232#Â Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. SectionÂ 1350, as adopted pursuant to SectionÂ 906 of the Sarbanes-Oxley Act of 2002101.INSÂ 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.SCHÂ XBRL Taxonomy Extension Schema Document101.CALÂ XBRL Taxonomy Extension Calculation Linkbase Document101.DEFÂ XBRL Taxonomy Extension Definition Linkbase Document101.LABÂ XBRL Taxonomy Extension Label Linkbase Document101.PREÂ XBRL Taxonomy Extension Presentation Linkbase Document104Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) ____________________________________Â Â§Â Â Â Â Management contract or compensatory plan or arrangement.#Â Â Â Â Filed herewith.48Table of ContentsÂ SIGNATURESPursuant 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.Â SHUTTERSTOCK,Â INC.Â Â Â Dated: August 6, 2024By:/s/ Jarrod YahesÂ Â Jarrod YahesÂ Â Chief Financial OfficerÂ Â (Principal Financial Officer)Â Â Â Dated: August 6, 2024By:/s/ Steven CiardielloÂ Â Steven CiardielloÂ Â Chief Accounting OfficerÂ Â (Principal Accounting Officer)49DocumentEXHIBITÂ 31.1Â CERTIFICATION PURSUANT TO RULE 13a-14(a)Â OR 15d-14(a)Â OFTHE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTIONÂ 302OF THE SARBANES-OXLEY ACT OF 2002Â I, Paul Hennessy, certify that:Â 1.Â Â Â Â Â Â Â Â Â Â I have reviewed this quarterly report on FormÂ 10-Q of Shutterstock,Â Inc.;Â 2.Â Â Â Â Â Â Â Â Â Â 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;Â 3.Â Â Â Â Â Â Â Â Â Â 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;Â 4.Â Â Â Â Â Â Â Â Â Â The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act RulesÂ 13a-15(e)Â and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act RulesÂ 13a-15(f)Â and 15d-15(f)) for the registrant and have:Â a.Â Â Â Â Â Â Â Â Â Â 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;Â b.Â Â Â Â Â Â Â Â Â Â 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;Â c.Â Â Â Â Â Â Â Â Â Â Evaluated the effectiveness of the registrantâ€™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; andÂ d.Â Â Â Â Â Â Â Â Â Â Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andÂ 5.Â Â Â Â Â Â Â Â Â Â The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):Â a.Â Â Â Â Â Â Â Â Â Â 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 registrantâ€™s ability to record, process, summarize and report financial information; andÂ b.Â Â Â Â Â Â Â Â Â Â Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Â Date: August 6, 2024By:/s/ Paul HennessyÂ Â Paul HennessyÂ Â Chief Executive OfficerÂ Â (Principal Executive Officer)DocumentEXHIBITÂ 31.2Â CERTIFICATION PURSUANT TO RULE 13a-14(a)Â OR 15d-14(a)Â OFTHE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTIONÂ 302OF THE SARBANES-OXLEY ACT OF 2002Â I, Jarrod Yahes, certify that:Â 1.Â Â Â Â Â Â Â Â Â Â I have reviewed this quarterly report on FormÂ 10-Q of Shutterstock,Â Inc.;Â 2.Â Â Â Â Â Â Â Â Â Â 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;Â 3.Â Â Â Â Â Â Â Â Â Â 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;Â 4.Â Â Â Â Â Â Â Â Â Â The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act RulesÂ 13a-15(e)Â and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act RulesÂ 13a-15(f)Â and 15d-15(f)) for the registrant and have:Â a.Â Â Â Â Â Â Â Â Â Â 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;Â b.Â Â Â Â Â Â Â Â Â Â 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;Â c.Â Â Â Â Â Â Â Â Â Â Evaluated the effectiveness of the registrantâ€™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; andÂ d.Â Â Â Â Â Â Â Â Â Â Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andÂ 5.Â Â Â Â Â Â Â Â Â Â The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):Â a.Â Â Â Â Â Â Â Â Â Â 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 registrantâ€™s ability to record, process, summarize and report financial information; andÂ b.Â Â Â Â Â Â Â Â Â Â Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Â Date: August 6, 2024By:/s/ Jarrod YahesÂ Â Jarrod YahesÂ Â Chief Financial OfficerÂ Â (Principal Financial Officer)Â DocumentEXHIBITÂ 32Â CERTIFICATION PURSUANT TO 18 U.S.C. SECTIONÂ 1350,AS ADOPTED PURSUANT TO SECTIONÂ 906 OF THE SARBANES-OXLEY ACT OF 2002Â In connection with the Quarterly Report on FormÂ 10-Q of Shutterstock,Â Inc., for the quarterly period ended JuneÂ 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€),Â I, Paul Hennessy, as Chief Executive Officer of Shutterstock,Â Inc., hereby certify, pursuant to 18 U.S.C. SectionÂ 1350, as adopted pursuant to SectionÂ 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge the Report fully complies with the requirements of SectionÂ 13(a)Â or 15(d)Â 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,Â Inc.Â Date: August 6, 2024By:/s/ Paul HennessyÂ Â Paul HennessyÂ Â Chief Executive OfficerÂ Â (Principal Executive Officer)Â In connection with the Quarterly Report on FormÂ 10-Q of Shutterstock,Â Inc., for the quarterly period ended JuneÂ 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€),Â I, Jarrod Yahes, as Chief Financial Officer of Shutterstock,Â Inc., hereby certify, pursuant to 18 U.S.C. SectionÂ 1350, as adopted pursuant to SectionÂ 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge the Report fully complies with the requirements of SectionÂ 13(a)Â or 15(d)Â 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,Â Inc.Â Date: August 6, 2024By:/s/ Jarrod YahesÂ Â Jarrod YahesÂ Â Chief Financial OfficerÂ Â (Principal Financial Officer)