

Shutterstock, Inc.
Form 10-K
February 27, 2015

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-35669

Shutterstock, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

80-0812659

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

**350 Fifth Avenue, 21st Floor
New York, New York**

(Address of principal executive offices)

10118

(Zip code)

(646) 419-4452

Registrant's telephone number, including area code

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

Title of each class

Common Stock, \$0.01 par value per share

Name of each exchange on which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated
filer

Accelerated filer

Non-accelerated filer
(Do not check if a
smaller reporting
company)

Smaller reporting
company

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

As of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of its voting and non-voting common stock held by non-affiliates on that date was approximately \$1,354,924,243. This calculation excludes the shares of common stock held by executive officers, directors and stockholders whose ownership exceeded 10% outstanding at June 30, 2014. This calculation does not reflect a determination that such persons are affiliates for any other purposes.

On February 25, 2015, 35,664,246 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2015, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Annual Report on Form 10-K relates.

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Form 10-K
For the Fiscal Year Ended December 31, 2014

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PART I

FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, particularly in the discussions under the captions "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These include statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, new or planned features, products or services, or management strategies) based on our management's current beliefs and assumptions. You can identify these forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "plan" and other similar expressions. However, not all forward-looking statements contain these words. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed under the caption "Risk Factors" of this Annual Report on Form 10-K, as well as in our consolidated financial statements, related notes, and the other information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission, or the SEC. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. We do not intend, and, except as required by law, we undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

In addition, some of the industry and market data contained in this Annual Report on Form 10-K are based on data collected by third parties, including IDC, BIA/Kelsey, Cisco, IBISWorld, Netcraft, comScore and MagnaGlobal, as well as a report commissioned by us and prepared by L.E.K. Consulting LLC. This information involves a number of assumptions and limitations. Although we believe that each source is reliable as of its respective date, we have not independently verified the accuracy or completeness of this information.

Unless the context otherwise indicates, references in this Annual Report on Form 10-K to the terms "Shutterstock," "the Company," "we," "our" and "us" refer to Shutterstock, Inc. and its subsidiaries including, for the period prior to October 5, 2012, Shutterstock Images LLC. "Shutterstock," "Offset", "Skillfeed", "Bigstock", "Big Stock Photo" and "WebDAM" are registered trademarks or logos appearing in this Annual Report on Form 10-K and are the property of Shutterstock, Inc. or one of our subsidiaries. All other trademarks, service marks and trade names appearing in this Annual Report on Form 10-K are the property of their respective owners.

Item 1. Business.

Overview

Shutterstock operates an industry-leading global marketplace for commercial digital content, including images, video and music. Commercial digital imagery consists of licensed photographs, illustrations and video clips that companies use in their visual communications, such as websites, digital and print marketing materials, corporate communications, books, publications and video content while commercial music consists of high-quality music tracks which is often used to complement the digital imagery. Demand for commercial digital imagery and music comes primarily from businesses, marketing agencies and media organizations. We estimate that the market for pre-shot commercial digital imagery will grow from approximately \$4 billion in 2011 to approximately \$6 billion in 2016, based on a study conducted on our behalf by L.E.K. Consulting LLC, or L.E.K. There has been a significant increase in the demand for commercial digital imagery as rapid technological advances have reduced the cost and effort required to create, license and use images. Our global online marketplace brings together users

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of commercial digital imagery and music with content creators from around the world. More than 1.2 million active, paying users contributed to revenue in 2014. As of December 31, 2014, more than 65,000 approved contributors made their images, video clips and music tracks available in our collection, which has grown to more than 46 million images and more than 2 million video clips as of December 31, 2014. This makes our collection of digital imagery one of the largest of its kind, and, during the year ended December 31, 2014, we delivered more than 125 million paid downloads to our customers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Operating Metrics Paid Downloads" and "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Operating Metrics Images in our Collection" for more information as to how we define and calculate paid downloads and images in our collection.

Our online marketplace provides a freely searchable collection of commercial digital imagery and music that our users can pay to license, download and incorporate into their work. We compensate contributors for each of their images, video clips or music tracks that are downloaded. This marketplace model allows us to offer users a low-cost and easy-to-use alternative to the time-consuming and expensive traditional methods of obtaining commercial imagery and music. It enables millions of small and medium-sized businesses, or SMBs, to affordably access commercial digital imagery and music, and allows larger enterprises and media agencies to more easily and efficiently satisfy their increasing imagery and music needs.

We are the beneficiaries of significant network effects. As we have grown, our broadening audience of paying users has attracted more imagery and, since the launch of the Shutterstock Music collection in June 2014, music from contributors. This increased selection of imagery and music has in turn helped to attract more paying users. The success of this network effect is facilitated by the trust that users place in Shutterstock to maintain the integrity of our branded marketplace. Every contributor in our marketplace and every image and video clip we make available must pass our proprietary screening process and meet our standards of quality. In addition, and unlike the significant majority of free images and video clips available online, our rigorous vetting process enables us to provide confidence and indemnification to our users that the imagery in our collection has been appropriately licensed for commercial or editorial use.

We make the licensing of images, video clips and music tracks affordable, simple and easy to license in order to encourage a high volume of purchases and downloads. Our customers' average cost per download was \$2.58 in 2014. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Operating Metrics Revenue per Download" for more information as to how we define and calculate average cost, or revenue, per paid download. We are a pioneer of the subscription-based usage model in our industry, whereby subscribers can download and use a large number of images in their creative process without concern for the incremental cost of each download. A significant majority of customer downloads come from subscription-based users, who contribute approximately half of our revenue. We also offer simple and easy-to-use On Demand purchase options for users who purchase content when and as needed. As a result of our simple and affordable licensing models, we believe that we achieved the highest volume of paid commercial image downloads of any single brand in our industry in 2014. In addition to generating revenue, this high volume of download activity allows us to continually improve the quality and accuracy of our search algorithms, as well as to encourage the creation of new content to meet our users' needs.

On March 14, 2014, we acquired certain assets and liabilities of Virtual Moment, LLC (dba WebDAM), or WebDAM, pursuant to an asset purchase agreement. WebDAM sells digital asset management software services through its cloud-based platform to marketing and creative organizations. WebDAM's products help organizations manage, search, distribute and collaborate on digital creative files in order to grow its brands and reach new audiences. WebDAM's offerings are particularly attractive to large enterprises, which make up a growing portion of WebDAM's client base.

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We believe that this acquisition will increase our strategic position with our enterprise customers and broaden our product portfolio to seize market opportunity.

On January 19, 2015, we acquired Rex Features (Holdings) Limited, or Rex, the largest independently owned photographic press agency in Europe. Rex specializes in editorial imagery, such as celebrity, entertainment, sports and news images, and offers customers access to both a live feed and a multi-decade archive of iconic photos. While Shutterstock has historically focused on imagery for commercial use, the Rex acquisition marks our substantive entry into the editorial market.

On January 22, 2015, we acquired substantially all of the assets and certain liabilities of Arbour Interactive Inc. (dba PremiumBeat), or PremiumBeat, a leading provider of exclusive, high-quality music and sound effects for use in videos, films, television, mobile applications, games, and other creative projects. We believe this acquisition will accelerate our mission to provide affordable and high-quality music.

Our revenue is diversified and predictable. More than 1.2 million customers from more than 150 countries contributed to our revenue in 2014, with our top 25 customers in the aggregate accounting for less than 2% of our revenue. We have historically benefitted from a high degree of revenue retention from both subscription-based and On Demand customers. For example, in 2014, 2013 and 2012, we experienced year-to-year revenue retention of 100%, 99% and 100%, respectively. This means that customers that contributed to our revenue in 2013 contributed, in the aggregate, 100% as much revenue in 2014 as they did in 2013. Customers typically pay us upfront and then use their downloads in a predictable pattern over time, which results in favorable cash flow to us and has historically added predictability and stability to our financial results.

We have achieved significant growth since our marketplace was launched in 2003. In 2014 and 2013, we generated revenue of \$328.0 million and \$235.5 million, respectively, representing year-over-year growth of 39.3% and 39.0%, respectively. In 2014 and 2013, we generated Adjusted EBITDA of \$70.7 million and \$53.4 million, respectively, Non-GAAP Net Income of \$38.0 million and \$31.0 million, respectively, and Free Cash Flow of \$64.7 million and \$42.3 million, respectively. See "Selected Financial Data Non-GAAP Financial Measures." In 2014 and 2013, our net income was \$22.1 million and \$26.5 million, respectively. On October 5, 2012, we reorganized from Shutterstock Images LLC, a New York limited liability company, or the LLC, to Shutterstock, Inc., a Delaware corporation, which we refer to as the Reorganization. We became subject to federal and state income taxes beginning October 6, 2012. As a result of this tax status change, we recorded an incremental net deferred tax asset and a one-time non-cash tax benefit of approximately \$28.8 million in the fourth quarter of the fiscal year ended December 31, 2012. We are a global business; in 2014, 37% of our revenue came from North America, 35% came from Europe and 28% came from the rest of the world.

Industry Overview: Commercial Digital Imagery and Music

Imagery and music help businesses communicate and engage with customers, market their products, and differentiate their brand. Companies invest in imagery and music for the same reasons they invest in marketing, advertising and media production: to increase the impact, engagement and differentiation of their communications. From the smallest start-ups to the largest multinationals, companies pay to license photographs, video clips, illustrations and music tracks for use in print and digital marketing materials, corporate communications, external and internal websites, social networking sites, mobile applications, games and videos. Imagery is also widely used in publishing books, eBooks, magazines and news articles. The demand for imagery and music in a commercial context comes primarily from:

Businesses: Large corporations, SMBs and sole proprietorships that have marketing, communications and design needs;

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Marketing Agencies: Creative service providers such as advertising agencies, media agencies, graphic design firms, web design firms and freelance design professionals; and

Media Organizations: Creators of print and digital content, from large publishers and broadcast companies to professional bloggers.

These professional users of imagery and music are typically very selective about where they source their content; imagery and music content must be of high quality and must fulfill the licensing obligations necessary for use in a commercial context. In order to meet these requirements, commercial digital imagery is typically either specially commissioned or licensed from pre-shot image libraries. Pre-shot images are not created for a single, specific purpose at a user's expense; rather they are catalogued for review and selection by a range of potential users. Pre-shot images are generally considered a more affordable, less time-intensive substitute for commissioned imagery.

We estimate that the total market for commercial imagery was approximately \$11 billion in 2011 and that it will grow to approximately \$13 billion in 2016, based on a study conducted on our behalf in August 2012 by L.E.K. The commercial imagery market is comprised of custom imagery and stock imagery. Within the stock imagery market, L.E.K. defined three segments: the "traditional stock photography" segment, the "stock photography marketplace" segment and all other forms of stock imagery. The traditional segment is characterized by higher-touch customer relationships, negotiated image prices, and groups of professional photographers who create images exclusively for one agency, often on a salaried basis. The stock photography marketplace segment is characterized by self-serve ecommerce with simple, inexpensive licensing options and a large number of contributors from around the world. The remaining segment is comprised of all other forms of stock imagery, including stock illustrations, vectors and video clips. Shutterstock has historically participated primarily in the stock photography marketplace segment along with the market for other forms of stock imagery, including stock illustrations, vectors and video clips.

According to L.E.K., the market for stock imagery, or "pre-shot commercial digital imagery," will grow from approximately \$4 billion in 2011 to approximately \$6 billion by 2016. L.E.K. estimates that the stock photography marketplace segment along with the market for all other forms of stock imagery will grow 15-20% annually to a total of more than \$3.5 billion in 2016. In the same period, L.E.K. estimates that the traditional segment will remain stable at approximately \$2.3 billion.

As the quality, quantity and awareness of pre-shot image licensing options continue to increase, we believe that pre-shot images will satisfy an increasing portion of the demand for custom commercial photography, which L.E.K. estimates will be a \$7 billion market in 2016.

Since imagery and music tracks are often a component of an advertising campaign or media production, the demand for commercial digital imagery and music is largely driven by the global marketing and publishing industries. In 2011, more than \$631 billion was spent in the global advertising industry, according to IDC. In that same period, IBISWorld estimates that more than \$379 billion was spent in the global publishing industry (including books, newspapers and magazines). We believe that disruptive technological trends are expanding the role of commercial digital imagery and music within these industries and driving growth in both the demand and supply of commercial digital content.

Disruptive Growth in Demand for Commercial Digital Imagery and Music

Businesses are increasing their use of visual communications because the tools of communication and creativity are becoming easier and less expensive to use. For example, in the last five years as of December 31, 2014, the number of public websites has grown at an average rate of 38% annually to more than 915 million, according to Netcraft. As technology continues to democratize visual communication, we believe that additional customers will come into the market for commercial digital imagery and music.

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In addition to growth in the number of customers that can make use of licensed imagery and music, trends in the type and frequency of visual communications that customers produce are driving increased image and music demand. For example, in addition to operating commercial websites, more businesses are using image-rich digital marketing and communication channels, including email marketing, blogging, digital video and display advertisements; BIA/Kelsey estimates that SMB advertising spend on online digital media will increase from \$5.4 billion in 2010 to \$16.6 billion in 2015, representing a compound annual growth rate of 25%. Since commercial digital imagery is one of several important components of online digital media, we anticipate that SMBs will increase their spend on commercial digital imagery as well; the visual and engaging forms of communication that they will seek to create will require more images per communication and more frequent communications per customer. Given the growing volume of images necessary to effectively communicate online, we believe that SMBs will be particularly likely to prefer efficient and affordable sources of commercial imagery.

The historical expense and complexity of procuring high-quality imagery once meant that it was affordable only for the largest businesses. A commissioned shoot often costs thousands of dollars, while traditional pre-shot photos still typically cost hundreds of dollars. Today, the rapidly increasing availability of low-cost, commercial-quality digital imagery through online marketplaces is allowing businesses of all sizes to quickly search for, find, and download affordable visual content under simple licensing models. This has made it economically viable for millions of SMBs to use commercial digital images for the first time, and allows larger enterprises and media agencies to more easily and affordably satisfy their increasing demand for images.

The growth in image demand for use in print and web communications is being compounded by trends in mobile and tablet internet browsing. Just as traditional broadband penetration enabled bandwidth-intensive media like images to become increasingly popular on the internet, we believe the spread of mobile broadband drives images and video clips to become increasingly common elements of the mobile web. Mobile devices are becoming increasingly visual, with high-resolution screens and touch interfaces driving an expectation of higher quality and more visually compelling mobile content. As trends in mobile and tablet internet usage continue to drive demand for rich visual user experiences, we believe that there will be a resulting increase in demand for commercial digital imagery and music.

Disruptive Low-Cost Supply of Commercial Digital Imagery

Over the last several years there has been a dramatic increase in the number of people equipped to create high-quality digital imagery. The commercial image industry once relied on a small group of professionals who owned expensive equipment and could afford to pay high image development costs. Now, there are millions of professionals, semi-professionals and hobbyists who are able to capture, store and display high-quality digital images. With the proliferation of smartphones, social media and mobile broadband, people around the world are becoming increasingly accustomed to creating and consuming high quality imagery.

This change is being driven by rapid technological advances that are making the tools of creative production affordable to a much larger group of people. Most notably, affordable, high-quality digital cameras and video cameras are rapidly achieving mainstream adoption. For example, in 2010 more than 11.2 million digital SLR cameras were sold globally. Many were sold for less than \$500, whereas the first digital SLR camera was not available until 1991 and cost more than \$24,000. These digital cameras eliminate the marginal cost of image capture, which increases the number of images created per photographer. The editing and enhancing of digital imagery is seeing similar democratization; high-performance photo and video editing software is increasingly becoming easy and affordable enough to be used by non-professional photographers and videographers. In addition, the growing availability of broadband internet access around the world has made it easier for professionals and non-professionals to upload and deliver commercial-quality digital imagery to those willing to pay to license it.

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While substantially all commercial digital photographs that are consumed today have been created using a digital SLR camera, the image quality produced by smartphone cameras continues to improve. As advances in mobile photography continue to be introduced by smartphone manufacturers, we expect that the number of individuals equipped to create commercial digital imagery will continue to grow.

Increased Importance of Online Marketplaces

With the emergence of millions of new users and millions of new potential contributors, the global market for commercial digital imagery has become increasingly fragmented in both supply and demand. Online marketplaces for imagery use the disruptive power of the internet to enable these highly fragmented groups to interact with each other commercially; they encourage image submissions from hundreds of thousands of contributors around the world and then match the growing demand for commercial images with this increasingly available supply. The digital economics of online marketplaces enable affordable pricing that allows SMBs to participate in the market, and provide existing image buyers an alternative to the expensive and time-consuming processes of working with traditional image agencies or of commissioning custom images. By providing easy access to a wide range of low-cost, high-quality licensed images, and at the same time providing marketing, distribution and payment services for digital image creators, online marketplaces are becoming the centerpiece of a new dynamic in the market for commercial imagery.

Challenges in the Market for Commercial Digital Imagery and Music

Challenges for Users

Even with the advent of websites capable of sourcing and providing commercial digital imagery, a large number of challenges remain for users:

Limited selection. Many websites lack the broad and up-to-date collection required to satisfy the extensive variety of searches for digital imagery, themselves a reflection of the myriad requirements of business communications across industries and geographies.

Difficulty in finding images quickly. Websites that do have a broad range of digital imagery often lack sophisticated tagging, search functionality and algorithms that enable users to find relevant digital imagery efficiently. An increased pace of digital imagery usage by customers means that many users of commercial imagery are under pressure to find a greater number of high-quality images faster.

High price. Traditional image agencies typically charge more than \$100 per high resolution image. Commissioning a custom image is even more expensive, often costing thousands or tens of thousands of dollars.

Complex pricing. On many websites, image prices can vary widely depending on criteria such as image size, file format, intended use, download frequency and type of contributor. Furthermore, many sites denominate the price of their images in "credits" rather than cash pricing, making it difficult for users to evaluate how much they will actually pay for a given license. These complexities interfere with the creative process, adding an additional dimension beyond image relevance for users to consider during their image search process.

Lack of commercial quality. Many websites and search engines, particularly those that host and display images for free, lack effective processes to ensure that images are of acceptable quality for use in a commercial setting; in other words, it can be difficult to find images with adequate aesthetic value that also have suitable technical qualities, including sufficient resolution, focus, lighting and composition.

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Need for appropriate licensing and legal protection. Complex copyright laws govern the use of images, video clips and music in a commercial context. Typically, images, video clips and music tracks that are available for free online are not appropriately licensed for commercial use. Most websites that host and display such content for free are not able to provide the trusted licensing assurances that come from closely evaluating the content that they make available. The need for appropriate content licensing has become more acute as the software to identify non-compliant imagery and music on the internet has become increasingly sophisticated, facilitating the monitoring of intellectual property rights. A growing number of users of commercial imagery and music require legal protections or indemnification from their content providers regarding proper licensing.

Challenges for Contributors

Creators of commercial digital imagery and music face significant obstacles in distributing their imagery and music to a large audience, discovering the kinds of content that customers demand, and monetizing their work efficiently, including:

Limited distribution and marketing reach. Many digital imagery and music creators lack the resources to promote their content to the millions of businesses around the world who may be willing to pay for their digital imagery or music. Even if a contributor posts imagery and music on the web, it is expensive and difficult to generate meaningful traffic to the contributor's own website, especially when the content that a single contributor can offer represents a small fraction of the types of digital imagery and music a user might need.

Lack of ecommerce capabilities. Many digital imagery and music creators lack the resources to establish the sophisticated, global ecommerce capabilities necessary to maximize their earnings. This is particularly true with respect to handling foreign languages, multiple currencies, diverse payment methods, customer support and fraud prevention.

Cumbersome upload, tagging and approval processes. Contributors want to be able to upload and tag images quickly, easily and intuitively. Approval speed can also be important to a contributor, particularly for newsworthy or time-sensitive imagery.

Inadequate feedback, tools and information. Digital imagery and music creators want to provide the content that users demand, but often lack the proper data, analytics and feedback to know what kind of content will sell well. Many websites do not provide adequate tools or lack sufficient volume of user data to be able to help contributors manage their portfolio or improve the commercial relevance of the digital imagery and music they produce.

Absence of community. As social media and social networks continue to evolve, digital imagery and music creators are increasingly seeking specialized online communities where they can learn from their peers and take satisfaction in sharing their work.

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The Shutterstock Solution

Key Benefits for Our Users

Millions of high-quality images and video clips available for commercial use

As of December 31, 2014, we provided a licensable digital collection of more than 46 million images and more than 2 million video clips, one of the largest collections of its kind. During the year ended December 31, 2014, we added an average of 3.9 million images and video clips per quarter. We sourced our content from over 65,000 approved contributors in more than 100 countries as of December 31, 2014 and provide a broad, non-exclusive commercial or editorial license allowing customers to use an image or video clip in perpetuity in any geography or medium.

Superior search results

We consider our proprietary search interface and algorithms to be intuitive and efficient, allowing users with widely ranging search queries to quickly find the most suitable imagery and music for their needs. Our search algorithms automatically evolve based on customer usage data such as searches and downloads to produce more effective search results over time. We believe that, with one of the highest volumes of downloads of commercial content in 2014, we have the data to power the best search experience in our industry.

Low cost of content

Our affordable pricing models enable users to download content for as little as \$0.26 per download. Across our pricing plans, customers paid an average of \$2.58 per download in 2014. We believe that our disruptive pricing models increase the number of businesses that can participate in the market for commercial imagery and music and that they increase the number of downloads that we deliver.

Creative freedom through simple pricing

Our subscription-based pricing model makes the creative process easier. Subscription users can download any imagery in our collection at any resolution we offer for use in their creative process without worrying about incremental cost. This provides greater creative freedom and helps improve their work product. For users who need less content, we offer simple, affordable, On Demand pricing, which is presented as a flat rate across all content and sizes that we offer.

100% vetted, commercial-quality imagery

We are highly focused on maintaining the quality of our collection. Our imagery has been vetted by our review team for standards of quality and relevance. We also leverage proprietary review technology to pre-filter images and video clips, and enhance the productivity of our reviewers. Less than 20% of contributor applicants who applied as of December 31, 2014 were approved as contributors to shutterstock.com, and as of December 31, 2014, approximately 60% of all imagery uploaded by approved contributors satisfied our rigorous acceptance requirements.

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<i>Appropriately licensed content</i>	<p>Our review process is designed to ensure that the imagery in our collection is appropriately licensed for its intended use. For example, a model release is required for all images and video clips that include a person with recognizable features, and a property release is required for images of certain types of property and public places with photography policies. The reliability of our review process enables us to offer \$10,000 of indemnification protection in aggregate to every customer to cover legal costs or damages that may arise from their use of Shutterstock content. In certain cases, we offer greater indemnification levels through custom contracts.</p>
<i>Key Benefits for Our Contributors</i>	
<i>Distribution to the largest, global audience</i>	<p>Our global marketplace provides image, video clips and music creators with access to millions of users. Our flagship website, Shutterstock.com, operates globally in 20 languages, allowing users around the world to easily search and access our collection of images, video clips and music tracks online. In 2014, we delivered more than 125 million paid downloads. According to industry surveys, contributors who have images available on our site typically generate more income through Shutterstock than through any other site with which they are registered.</p>
<i>Global ecommerce capabilities</i>	<p>Our global ecommerce platform allows us to process payments from users across the world in eleven currencies, and pay our contributors monthly. Our users can currently transact on our flagship website in 20 languages, and we provide fraud protection, refunds and customer support via phone, email and chat on behalf of our contributors.</p>
<i>Efficient uploading, tagging and review process</i>	<p>Based on user feedback and competitive benchmarking, we believe that we have the most efficient upload, tagging and review process of all of the major competitors in our industry. We are committed to continuously finding new and innovative ways to improve our contributor interface and to providing short upload and review times we typically process content within approximately 36 hours of upload.</p>
<i>Robust feedback, tools and information</i>	<p>We provide valuable tools and insights to our contributors. Our contributors can monitor download activity by imagery and geography, as well as by self-defined imagery themes. We also provide data on search trends, allowing content creators to see which images and subjects are popular on our site, and to plan new content themes accordingly.</p>

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Specialized community

We operate a forum for the photographers, videographers, illustrators and composers that make up our contributor community, allowing them to share tips with one another and to showcase their work. Our strict acceptance tests for new submissions provide contributors with a sense of challenge, accomplishment and exclusivity that makes our forums more useful and valuable.

Shutterstock's Competitive Strengths

In addition to the compelling value propositions and solutions that we offer to users and contributors, we believe that the following competitive advantages further separate us from our competitors:

A Leading Global Marketplace with Strong Network Effects. Our content collection is currently the largest in the commercial digital imagery industry, with over 46 million images and more than 2 million video clips, from more than 65,000 approved contributors, as of December 31, 2014. We believe that the growth of our content collection and the growth in our site traffic support one another through a strong network effect—a broader selection of images, video clips and music tracks from our contributors attracts more users; this larger audience of paying users increases the amount spent in our marketplace and attracts more content submissions from a greater number of contributors.

Extensive Data and Superior Search. Since 2003, our users have executed hundreds of millions of searches and, as of December 31, 2014, made more than 475 million paid image downloads from our collection. In 2014, we delivered more than 125 million paid downloads (including both commercial and editorial images) to our customers. This high volume of data, including data about the searches and downloads that our users execute, enables us to continuously improve our search algorithms. Furthermore, unlike the significant majority of images available online for free, each image in our collection is tagged by its contributor with approximately 35 relevant keywords. Currently, the Shutterstock collection contains more than 1 billion contributor-generated image tags. This behavioral and keyword data, along with our investments in technology and our many years of experience in developing search algorithms designed specifically for the commercial digital imagery and music industry, increase the chances that our users find the imagery and music they require. We believe that a successful search experience is a critical determinant of customer satisfaction, and that our success in this area attracts new and repeat users to our websites.

Simple, Flexible and Low-Cost Pricing. Since inception, we have aimed to deliver exceptional value to our users through simple and flexible pricing options. Our customers' average cost per download was \$2.58 in 2014. Our subscription plans generate an important sense of creative freedom for our professional users, enabling them to try out multiple images, video clips or music tracks without concern for the incremental cost of each download. Additionally, we offer simple and cost-effective On Demand purchase options for less frequent users. The simplicity and affordability of these plans have allowed us to broaden our existing and potential user base. These pricing models also benefit our contributors due to the high volume of paid downloads we are able to generate on their behalf.

Trusted, Actively Managed Marketplace. We are committed to providing a trusted online marketplace for licensed, high-quality commercial imagery, video clips and music tracks. Our rigorous review process for new images and video clips is intended to ensure the integrity and quality of the content in our collection. Each image and video clip is individually examined by our team of trained reviewers to meet our high standards of quality and commercial viability. This review process is designed to minimize the legal risk to our users from inappropriately licensed imagery. As a result of the significant investment we make in our review processes, we are able to provide up to \$10,000 of indemnification protection in the aggregate to every customer for claims that may arise from the use of an image, video clip or music track licensed through Shutterstock. In some cases, we offer even greater

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or unlimited levels of indemnification through custom contracts. We offer indemnification as an indication to our customers that they can trust the quality and licensability of content available through our marketplace; this sets us apart from many competitors and all free sources of digital imagery and music.

Shutterstock's Growth Strategies

Acquire More Users and Contributors. We believe that there is a significant opportunity to grow our marketplace by increasing awareness of our brand and value proposition. For example, as of our last comprehensive customer survey, conducted in March 2014, more than 50% of our customers work at companies with 50 employees or fewer. A significant portion of our growth to date has been driven by word of mouth recommendations. We plan to continue to foster word of mouth by continuing to grow our collection and deliver exceptional service. Additionally, we expect to increase our investments in online and offline marketing to help raise awareness in our core customer community as well as in additional market segments and geographies. In parallel, we intend to grow the depth and breadth of our collection by increasing awareness among potential contributors of the opportunity to share their creative work with a broader audience and generate income through Shutterstock.

Lead Innovation in User and Contributor Experience. We intend to build on our market-leading position by providing the best online experience for digital imagery and music users and contributors. With one of the largest collections of images in the industry, and one of the highest volumes of commercial image downloads, we believe that we have more information on the marketplace and user needs than any of our competitors. We intend to use this data to continue to improve the quality of our search algorithms and user experience. We also plan to enhance the tools we offer contributors to help them establish their portfolio on our websites, track their performance and explore opportunities to create content that customers need. We plan to continue to improve the speed and usefulness of feedback that we provide contributors on the imagery and music that they submit, and facilitate new ways for them to participate in an engaged community of their peers. Lastly, we intend to roll out new product offerings and product extensions, such as our Shutterstock Music service that launched in June 2014 and our acquisitions of WebDAM in March 2014 and Rex and PremiumBeat in January 2015, that we believe will create deeper relationships with our core communities and attract new users to our websites.

Increase Localization. We are a global company, with users and contributors in more than 150 countries and a website that is available in 20 languages. We plan to deepen our global penetration among users and contributors by improving the quality of the Shutterstock experience, regardless of language or location. For example, we intend to increase the number of languages, currencies and payment methods that we support in order to serve an even larger global user base. Furthermore, we plan to improve the quality of non-English searches by increasing the sophistication with which we handle non-English image tagging and search ranking. Finally, there is significant unmet demand for localized content, such as images with locally relevant themes, customs, objects and ethnicities. We plan to increase the geographical diversity of our contributor community so that we can provide the imagery and music demanded by our increasingly global user base.

Increase Our Penetration of Media Agencies and Large Enterprises. To date, the majority of our revenue has been generated from SMBs purchasing online, many of whom did not previously have access to low-cost commercial digital imagery and music. As of our last comprehensive customer survey, conducted in March 2014, less than 30% of our customers worked at companies with more than 250 employees. Furthermore, in 2014, less than 20% of our revenue was generated through our direct sales organization, which focuses on sales to media agencies and large enterprises. We believe that we have a strong value proposition for media agencies and large enterprises, which account for a significant portion of the existing market for commercial digital imagery and music. These companies

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have historically purchased commercial imagery and music via sales-driven relationships and are used to complex licensing, limited imagery and music libraries and high prices. While our sales and support organization has historically been focused primarily on inbound customer communications, we are working to increase our revenue from media agencies and large enterprises through a direct sales approach and by offering tailored purchase options.

Pursue Emerging Content Types. Alternative content types such as video footage and music represent significant opportunities for growth. According to MagnaGlobal, global online video advertising spending is expected to increase an average of 23% annually from \$3.3 billion in 2010 to \$11.4 billion in 2016. Video has become a mainstream online activity globally, and is forecasted to expand to 62% of all consumer internet traffic by 2015, according to Cisco's Visual Networking Index. As user demand is increasing, the cost to contributors to create and produce professional video content is becoming increasingly affordable, most notably due to digital SLR cameras that include HD video capabilities. Given the convergence of photography and video tools, we believe that our network effects in still image licensing will help propel our efforts in the video and music market. Our acquisition of PremiumBeat in January 2015 will accelerate our mission to provide affordable and high-quality music. In addition to video and music, we see opportunities in other emerging digital content areas that may be relevant to our customers.

Products

We provide licensed content that our users purchase to enhance their visual communications. Our collection is currently one of the largest in the commercial digital imagery industry, with over 46 million images and more than 2 million video clips as of December 31, 2014. We offer a variety of content types, including photography, illustrations, vector art, video footage and, beginning in June 2014, music tracks. Users can search our collection and preview watermarked versions of our content at no cost. They can then pay to license and download the imagery and music they need, either on a subscription basis or on a per-download basis. Shutterstock imagery and music are provided under a royalty-free non-exclusive license and, as an assurance of the integrity of our content, users are typically covered by up to \$10,000 of indemnification protection in aggregate against any legal costs or damages that may arise from the licensed use of our imagery and music. Each image available for high-resolution digital download has been vetted by our team of reviewers to ensure that it meets our standards of quality and can be appropriately licensed for commercial or editorial use.

Photographs. We offer high-quality photographs that cover a wide variety of subjects, including animals/wildlife, the arts, backgrounds/textures, beauty/fashion, buildings/landmarks, business/finance, celebrities, education, food/drink, healthcare/medical, holidays, nature, objects, people, religion, science, sports/recreation, technology and transportation. The significant majority of our photography collection is made up of creative images that can be used in both commercial and editorial contexts. Images that are marked as editorial-only, such as photographs of celebrities and newsworthy events, which constituted fewer than 10% of our total images as of December 31, 2014, cannot be used to promote a product or service; instead these images are licensed for use in editorial settings such as newspapers, blogs and magazines. In January 2015, we acquired Rex, the largest independently owned photographic press agency in Europe. Rex specializes in editorial imagery, such as celebrity, entertainment, sports and news images, and offers customers access to both a live feed and a multi-decade archive of iconic photos. While we have historically focused on imagery for commercial use, the Rex acquisition marks our substantive entry into the editorial market. On Shutterstock.com, photographs are available in a variety of sizes including small files that are appropriate for mobile browsing and large files appropriate for large format prints and high-resolution displays. As of December 31, 2014, photographs made up approximately 66% of the collection on Shutterstock.com.

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Illustrations and Vector Art. In addition to photographic images, we also offer images that have been created using illustration tools and software. These images are made up of two types: illustrations (raster graphics) and vector art (vector graphics). Raster graphics are stored as a fixed set of pixels, whereas vector graphics are stored using geometric modeling. Since vectors are described using geometric data instead of fixed pixels, vectors can be scaled to any size without loss of resolution or quality. As of December 31, 2014, illustrations and vector art made up approximately 29% of the collection on Shutterstock.com.

Video Footage. For those engaged in producing video advertisements, commercial motion pictures, television programming, video games, interactive applications and other video-based media, we also provide video footage. Footage clips are available in a variety of formats and sizes, including High Definition (HD) and Ultra-High Definition (4K). As of December 31, 2014, our video footage collection contained more than two million video clips and made up approximately 5% of the collection on Shutterstock.com.

Curated, Premium Imagery. For high-impact use cases that require extraordinary imagery, our Offset brand provides authentic and exceptional imagery under a straightforward licensing process. Offset features work from top assignment photographers and illustrators from around the world, in addition to established and respected collections including National Geographic and The Licensing Project. Every image in the collection is hand selected, chosen for its artistic distinction and narrative quality, and is curated into specific categories such as commercial lifestyle, food, travel and fashion.

Online Learning. For digital professionals looking to improve their creative and technical skills, our Skillfeed platform provides an online marketplace of curated video courses made accessible through an affordable subscription plan. As of December 31, 2014, Skillfeed featured more than 50,000 videos and includes tutorials on subjects ranging from graphic design, video and photo editing, to professional skills such as Microsoft Excel and web development. Skillfeed offers comprehensive courses, with videos of 20 minutes or more, designed to develop in-depth professional skills, as well as shorter courses designed to provide new tips and techniques on a range of topics.

Music. For customers looking to add music to their creative projects we offer thousands of high-quality audio tracks at simple and affordable price points, making it easier for businesses, marketers, producers and filmmakers to bring their ideas to life. To accelerate progress in serving customers' music needs, in January 2015 Shutterstock acquired substantially all of the assets and certain liabilities of PremiumBeat, a leading provider of exclusive, high-quality music and sound effects for use in videos, films, television, mobile applications, games, and other creative projects.

WebDAM. WebDAM offers digital asset management software services through its cloud-based platform to marketing and creative organizations. WebDAM's products help organizations manage, search, distribute and collaborate on creative digital files in order to grow their brands and reach new audiences. WebDAM's offerings are particularly attractive to large enterprises, which make up a growing portion of our current WebDAM client base.

Purchase Options

We strive to offer simple, transparent purchase options that remove complexity from a customer's workflow. We currently offer the following options:

Subscription: Our signature and highest grossing purchase option is our 25-a-day subscription. This purchase option allows a user to download up to a total of 25 photos, vectors or illustrations per day under our Standard License, regardless of image size. Subscription customers can download and experiment with multiple images at no extra cost, which removes friction from their creative process. Subscriptions can be purchased in 30 day, 90 day, 180 day and 365 day increments and are typically

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paid in advance. Skillfeed, Shutterstock's online learning marketplace, is a subscription-based product which allows users to access unlimited video courses for an affordable monthly or annual membership. WebDAM's digital asset management offerings are made available via annual software-as-a-service subscription plans. Subscription purchase options represented approximately 45% of our revenue as of December 31, 2014.

On Demand: Customers can buy images, video clips and music tracks through fixed packages. For example, we offer On Demand packages that include one image, 5 images, 25 images, or 60 images of various resolutions under our Standard License. We charge the same price for illustrations and vectors as we do for photographs and we do not charge more for a higher resolution image than a lower resolution image. This offers customers the simplicity of being able to license any size of any still image in our collection for the same price. We have similar pricing packages for video clip and music track packages. For video, we offer one video clip, 5 video clips, or 25 video clips with various resolutions under our Standard License and for music we offer one music track under our Standard or Enhanced License depending upon customer needs. Upon the On Demand purchases of an image, video clip or music track, the customer has up to one year to download that content before it expires. While the significant majority of On Demand imagery revenue comes from our Standard License packages, other forms of On Demand purchases for images include Enhanced Licenses (for customers who need broader licensing rights than are offered under our Standard License) and images licensed through Bigstock and Offset. Our On Demand purchase options represented approximately 35% of our revenue as of December 31, 2014.

Other Purchase Options: We provided a number of other purchase options which together represented approximately 20% of our revenue as of December 31, 2014. These purchase options include custom accounts for customers that need multi-seat access, invoicing, unlimited indemnification or a higher volume of images.

Users

We serve a wide variety of companies across numerous industries, organizational sizes and geographies. As of December 31, 2014, our customer database contained more than six million user accounts. Of these, more than 1.2 million users contributed to our revenue in 2014. Due to our large number of customers, we do not have any material customer concentration with our top 25 customers in the aggregate accounting for less than 2% of our revenue in 2014. Our users tend to fit into one of three categories: businesses, marketing agencies or media organizations.

Businesses. Business customers require high-quality, commercially licensed digital imagery and music for a wide range of communication materials. Such communication materials may be intended for internal or external use and include websites, print and digital advertisements, annual reports, brochures, employee communications, newsletters, email marketing campaigns and presentations. Shutterstock's business users range from sole proprietors to *Fortune 500* companies.

Marketing Agencies. Marketing agencies require high-quality, commercially licensed digital imagery and music to incorporate in the work they produce for their clients' business communications. Whether providing graphic design, web design, interactive design, advertising, public relations, communications or marketing services, Shutterstock's marketing users range from independent freelancers to the largest global agencies.

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Media Organizations. Media professionals require high-quality, commercially licensed digital imagery and music to incorporate in the content they produce, including digital publications, newspapers, books, magazines, television and film. They also require high-quality images to market their products effectively. Shutterstock's media users range from independent bloggers to multi-national publishing and broadcast organizations.

Content Contributors and Content Review Process

The content we provide to our users is created by a community of contributors from around the world and is generally vetted by our specialized team of image and video clip reviewers. Whether photographers, videographers, illustrators or designers, our community of more than 65,000 approved contributors as of December 31, 2014 range from part-time enthusiasts to full-time professionals, and all of them must meet high standards in order to work with Shutterstock.

In order to become a contributor, an individual must submit an application that includes a portfolio of images or video clips. Of more than 900,000 contributor accounts that had been created as of December 31, 2014, less than 20% were approved. Once accepted by Shutterstock's review team, contributors can upload as many images or videos as they like; however, every submitted image or video is reviewed to ensure that images and videos in our collection meet certain standards of aesthetic and technical quality. As of December 31, 2014, approximately 83 million images had been submitted to our review team by approved contributors and, of those, only approximately 46 million, or approximately 60%, were approved and made available in our marketplace. Each image or video that is rejected by our review team is tagged with at least one rejection reason that is communicated to the submitting contributor to help him or her to improve and to give insight into our review standards. Such rejection reasons include focus, composition, poor lighting, and potential trademark concerns. We combine proprietary technology and a highly trained content review staff to deliver sophisticated yet efficient image review we typically process images within 36 hours of upload.

Contributors are required to associate keywords with each image they submit in order to make their images more easily found using our search algorithms. Keywords usually contain both descriptive terms that literally identify the content of an image (e.g., "padlock") and conceptual terms that describe what an image might convey (e.g., "security"). We currently have over 1 billion contributor generated keywords in our database, with approximately 35 keywords per image.

Content accepted into our collection is added to our website where it is available for search, selection, license and download. Contributors are typically paid monthly based on how many times their images or video clips have been licensed in the previous month. Contributors may choose to remove their images or video clips from our collection at any time. Due to our large number of contributors, we do not have any material content supply concentration; the content contributed by our five highest-earning contributors was together responsible for less than 3% of downloads in 2014.

Music content is sourced through a strategic partnership and through direct submission to our music team. Shutterstock's acquisition of PremiumBeat in January 2015 will further enhance our collection and music content acquisition capabilities.

Shutterstock provides different earnings structures for photographs, illustrations and vector art, video footage and music tracks:

Photographs, Illustrations and Vector Art. Contributors of photographs, illustrations and vector art to Shutterstock.com are paid based on the number of times that their images have been downloaded. The significant majority of image downloads are licensed under our Standard License. The amount that a contributor of a photograph or vector receives per Standard License typically ranges from \$0.25 per image downloaded to \$5.70 per image downloaded. The exact amount earned is determined by our published earnings schedule, the contributor's lifetime earnings which determine the contributor's

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earnings tier, and the purchase option under which an image was licensed. When images are licensed under our Enhanced License, the contributor of that image earns \$28.00 per image downloaded. When images are licensed under other purchase options or license types, contributors typically earn between 20% and 30% of the sale price of each image based on the contributor's lifetime earnings which determine the contributor's earnings tier.

Video Footage and Music. Contributors of video footage and music tracks are also generally paid based on the number of times that their video clips or music tracks have been licensed and downloaded. When a video clip or music track is downloaded the contributor is typically paid approximately 30% of the sale price with certain minimum amounts per download. In certain cases, video and music contributors are paid a one-time up-front perpetual license fee instead of being paid per download.

Technology and Infrastructure

Our technology is critical to our business and all of our products and services are made possible by the proprietary technology and robust infrastructure that we have developed. We believe that delivering intuitive, fast and effective user experiences, supported by robust and scalable technology platforms, is critical to our success.

We employ technology to support both our public facing websites and our back-office systems. We use a combination of proprietary technologies and commercially available licensed technologies, including open source software. We focus our internal development efforts on creating and enhancing the specialized proprietary software that is unique to our business and we leverage commercially available and open source technologies for our more generalized needs.

Our customer-facing software enables users to search millions of digital images, video clips and music tracks and then select, organize, pay for, license and download the images, video clips and music tracks that they would like to use. Our proprietary search algorithms evolve automatically based on behavioral data, which means that each search and download that a user performs on our websites gives our search engine more information with which to improve. Having delivered over 475 million paid downloads as of December 31, 2014, the data that we have collected and the search technology that it powers are an important and proprietary asset. We have also invested in making our ecommerce platform global, allowing customers to search and make purchases in 20 languages and eleven currencies.

Our contributor-facing software enables contributors to apply to become a contributor, upload and tag images and video clips, receive feedback on their submissions from our review team, see reports on earnings and payouts, and participate in online discussion forums with other contributors. We have also developed proprietary tools to help our contributors improve their craft, including our Keyword Trends Tool that allows contributors to see what terms customers are searching for and how those search terms are trending over time. This tool allows contributors to anticipate demand and generate images and video clips that customers will want to license, and is another example of how we combine software and large-scale proprietary datasets to deliver value to our users.

Our internal software enables the technological and business processes necessary to deliver a superior experience for customers and contributors. This includes a content review system that allows our review team to efficiently and accurately review every single image that is made available on our websites. It also includes applications that enable customer and contributor support, intellectual property rights and license tracking, centralized invoicing and sales order processing, customer database management, language translation, global contributor payouts, compliance, finance and accounting functions.

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Our systems infrastructure is hosted by industry-leading third-party hosting providers that offer 24-hour monitoring, high-speed network access, auxiliary power generators and back-up systems. We maintain multiple production datacenters to provide rapid content delivery to our customers and also to support business continuity in the event of an emergency. We also use content delivery network solutions to ensure fast access to our content around the world. Network, website, service and hardware-level monitoring, coupled with remote-content monitoring, allow our systems to maintain a high level of uptime and availability with high-performance delivery.

Our development teams employ Agile Development methodologies to increase the speed and effectiveness of our technology efforts; we focus on iterative and incremental development processes through which cross-functional teams release software code nearly every day and manage their own progress in two-week cycles known as "sprints." We view our investments in technology as being core to our long-term success and we intend to continue to investigate, develop and make capital investments in technology and operational systems that support our current business and new areas of potential business expansion.

Brands

Shutterstock is our flagship brand and the significant majority of our revenue is generated through our shutterstock.com website. We also operate Bigstock and WebDAM which Shutterstock acquired in 2009 and 2014, respectively, and PremiumBeat and Rex which were both acquired in January 2015. Additionally, we launched Offset and Skillfeed in 2013 and Shutterstock Music in 2014. While Shutterstock generates the majority of its revenue from higher-volume commercial image users and subscription-based pricing models, Bigstock focuses on the needs of lower-volume, more cost-conscious image users, Rex focuses on editorial image buyers, and Offset focuses on higher-end advertising agencies and corporate buyers who require premium imagery. WebDAM's offerings focus on marketing and media departments within large enterprises, which make up a growing portion of its client base. Shutterstock.com's collection contained more than 46 million images and more than 2 million video clips as of December 31, 2014. This figure does not include Bigstock's collection which contains more than 23 million images as of December 31, 2014, some of which are also available through Shutterstock.com.

Marketing

We reach new customers through a diverse set of marketing channels including paid search, online display advertising, print advertising, tradeshows, email marketing, direct mail, affiliate marketing, public relations, social media and partnerships. Marketing activities aim to raise awareness of our brands and attract paying users to our websites by promoting the key value propositions of our offerings: diverse and high-quality content, intuitive and efficient interfaces and market-leading value.

The marketing efforts used in generating more revenue also help us generate more earnings for our contributors. Increasing revenue helps attract more content, which in turn helps us convert and retain even more paying users. Furthermore, the high degree of satisfaction that users have with our product drives word of mouth recommendations, which helps our marketing efforts attract an even broader audience than we reach directly. In these ways, we believe our marketing efforts have a self-reinforcing effect, which powers the growth and success of our marketplace.

Sales and Customer Support

The significant majority of our revenue is generated via self-serve ecommerce. We encourage our users to take advantage of the comprehensive search capabilities of our websites, our credit card-based payment options and the immediate digital delivery of licensed imagery and music. We believe the

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ability to search for, select, license and download content over the internet offers our users convenience and speed, and enables us to achieve greater economies of scale.

Direct communication with our customers, however, remains a significant component of our customer support and sales strategy. Our customer support and sales team is available to assist users via email, chat and phone in ten languages. In addition to handling inbound customer support and sales inquiries, we also proactively contact potential high volume customers and offer them custom accounts to meet their needs. Outbound sales activities constitute approximately 20% of Shutterstock's overall revenue as of December 31, 2014.

Product Rights and Intellectual Property

Product Rights and Indemnification.

All of the images, video clips and music that we make available to users on Shutterstock.com are offered under a perpetual, royalty-free license. This means that once a customer has licensed an image, video clip or music track, that customer can use the associated content in accordance with the license terms in perpetuity without having to pay any ongoing royalties to us. Typically, the image, video clip or music track license is non-exclusive, meaning that multiple customers can license the same image, video clip or music track under the applicable Shutterstock license agreement. Furthermore, we do not typically require that contributors of imagery, video clips and music to our sites provide their content to us on an exclusive basis, with the exception of our PremiumBeat offering.

Under our standard license agreement, we represent and warrant to our customers that unaltered images and video clips downloaded and used in compliance with our websites' terms of service, the license agreement and applicable law will not infringe any copyright, trademark or other intellectual property right, nor will such unaltered images and video clips violate any third parties' rights of privacy or publicity, violate any U.S. law, be defamatory or libelous, or be pornographic or obscene. Provided that a customer has not breached the license agreement or any other agreement with us, we will defend, indemnify, and hold customers harmless from liability directly attributable to breaches of the foregoing representations and warranties for damages up to \$10,000 per customer. We also offer certain of our customers custom contracts with terms that vary from those in our standard license agreement, including providing customers with indemnity for damages beyond \$10,000 per customer or unlimited indemnification. Such increased or unlimited indemnity still applies only to claims for damages directly attributable to our breach of the foregoing representations and warranties. To date, we have not incurred any material financial liability as a result of these indemnification obligations. Since 2009, we have received approximately 35 customer claims for indemnification, and following investigation of such claims, fewer than one-third of such claims have resulted in our making any cash payment to settle such claims. Aggregate amounts paid to date to settle customer indemnification claims have not been material to our business. No claims for indemnification have been asserted by any customer under a custom contract with unlimited indemnification protection. We maintain commercially reasonable insurance intended to protect against the costs of intellectual property litigation and our indemnification obligations under our license agreements.

Intellectual Property. We protect our intellectual property through a combination of patents, trademarks and domain name registrations, copyrights and trade secrets.

We own a portfolio of trademarks, including "Shutterstock", "Offset", "Skillfeed", "Bigstock", "Big Stock Photo", and "WebDAM". We will pursue additional trademark registrations to the extent that we create any additional material and registrable trademarks or logos. We are the registered owner of a variety of the shutterstock.com, bigstock.com, offset.com, skillfeed.com, webdam.com, premiumbeat.com, and rexfeatures.com internet domain names and various other related domain names. We have successfully recovered infringing domain names in the past and will continue to enforce our rights in the future. We also own copyrights, including certain content in our websites,

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publications and designs. These intellectual property rights are important to our business and marketing efforts. The duration of the protection afforded to our intellectual property depends on the type of property in question, the laws and regulations of the relevant jurisdiction and the terms of our license agreements with others. With respect to our trademarks and trade names, trademark laws and rights are generally territorial in scope and limited to those countries where a mark has been registered or protected. While trademark registrations may generally be maintained in effect for as long as the mark is in use in the respective jurisdictions, there may be occasions where a mark or title is not registrable or protectable or cannot be used in a particular country. In addition, a trademark registration may be cancelled or invalidated if challenged by others based on certain use requirements or other limited grounds.

We protect our intellectual property rights by relying on federal, state, and common law rights, including registration, in the United States and certain foreign jurisdictions, as well as contractual restrictions. We enforce and protect our intellectual property rights through litigation from time to time, and by controlling access to our intellectual property and proprietary technology, in part, by entering into confidentiality and proprietary rights agreements with our employees, consultants, contractors, and vendors. In this way, we have historically chosen to protect our software and other technological intellectual property as trade secrets. We further control the use of our proprietary technology and intellectual property through provisions in our websites' terms of use and license agreements.

Competition

The market for commercial digital imagery and music is highly competitive. We believe that the principal competitive factors are:

the quality, relevance and breadth of the imagery and music in a company's collection;

the accessibility of imagery and music, in the form of the speed and ease of search and fulfillment;

effective use of current and emerging marketing channels;

effective use of current and emerging technology;

pricing and licensing models, policies and practices;

brand name recognition;

company reputation;

customer service and customer relationships;

security, reliability and data protection; and

the global nature of a company's interfaces and marketing efforts, including local languages, currencies, and payment methods.

Some of our current and potential significant competitors include:

other online marketplaces for imagery such as iStockphoto, Fotolia, which was recently acquired by Adobe Systems Incorporated, or Adobe, and Dreamstime;

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traditional stock content providers such as Getty Images and Corbis Corporation;

specialized visual content companies that are established in local, content or product-specific market segments such as Reuters Group PLC, the Associated Press, and T3 Media;

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providers of commercially licensable music such as Universal Music Publishing Group, Sony/ATV Music Publishing, Warner Music Group, and EMI Music Publishing;

websites focused on image search and discovery such as Google Images;

websites for image hosting, art and related products such as Flickr;

social networking and social media services; and

commissioned photographers and photography agencies.

Lastly, we compete with the alternative of creating one's own imagery or music or choosing not to consume licensed imagery or music because it is too expensive or because one is not aware of how to do so.

Government Regulation

The legal environment of the internet is evolving rapidly in the United States and worldwide. The development of new laws and regulations, the manner in which existing laws and regulations will be applied to the internet in general, and how the foregoing will relate to our business in particular, is unclear in many cases. For example, there is uncertainty regarding how laws and regulations will apply in the online context and to different business models, including with respect to such topics as privacy, data management and cyber-security, defamation, ecommerce, pricing, credit card fraud, advertising, taxation, sweepstakes, promotions, subscription-based billing, content regulation, quality of products and services, internet neutrality, outsourcing, and intellectual property ownership and infringement.

Numerous laws have been adopted at the national and state level in the United States that could have an impact on online commerce generally and on our business. These laws include, for example, the following:

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 and similar laws adopted by a number of states regulate the format, functionality and distribution of commercial solicitation e-mails, create criminal penalties for unmarked sexually-oriented material, and control other online marketing practices.

The Children's Online Privacy Protection Act and the Prosecutorial Remedies and Other Tools to End Exploitation of Children Today Act of 2003 regulate the collection or use of information, and restrict the distribution of certain materials, as related to certain protected age groups. In addition, the Protection of Children From Sexual Predators Act of 1998 provides for reporting and other obligations by online service providers in the area of child pornography.

Federal and state regulatory agencies are accelerating the consideration, adoption and enforcement of rules and guidelines concerning data security measures and reporting of cyberattacks and other security breaches of personal data to affected individuals, to regulatory agencies, to law enforcement officials and to other third parties.

Federal and state regulatory agencies are also accelerating the consideration, adoption and enforcement of rules, regulations and guidelines that govern online service providers' data collection, processing, retention, transfer and use policies and practices, including with respect to the disclosure of consumer data to third parties such as direct marketers.

Given the broad spectrum of legal and regulatory uncertainties, we expect new laws and regulations to be adopted over time that are likely to be applicable to the internet and to our activities. Any existing or new legislation applicable to Shutterstock could expose us to substantial liability, including significant expenses necessary to comply with such laws and regulations, to respond to regulatory inquiries or investigations, and to defend individual or class litigation. These events could

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dampen growth in the use of the internet in general, and cause Shutterstock to divert significant resources and funds to addressing these issues, and possibly require us to change our business practices.

We post privacy policies on our websites concerning our data collection and use practices. We also implement data security measures. Allegations that our policy disclosures are inadequate or that we have failed to comply with our posted privacy policies, that our security measures are insufficient, or that we otherwise violated Federal Trade Commission requirements or other privacy-related laws and regulations, could result in proceedings by governmental or regulatory bodies or private parties that could potentially harm our business, results of operations and financial condition. In addition, there is a risk that privacy and data security laws may be interpreted and applied differently in certain jurisdictions, in ways that are not consistent with our current practices, which could also potentially harm our business, results of operations and financial condition. In this regard, there are a large number of legislative and regulatory proposals before the United States Congress, various state legislative bodies, and government agencies regarding privacy and security and other consumer issues that may affect our business. It is not possible to predict whether or when such rules and regulations may be adopted, or how existing or new rules or regulations could be interpreted by courts or agencies, however, it is possible that the foregoing could harm our business by, among other things, decreasing user registrations and revenue, increasing the cost of compliance, impeding the development of new products or services, and limiting potential sources of revenue such as online advertising. These adverse effects on our businesses could be caused by, among other possible provisions, the required display of specific disclaimers, requirements to obtain consent from users for certain activities, costly security measures or other requirements before users can utilize our services. In addition, we may be subject to claims of liability or responsibility for the actions of third parties with whom we interact or upon whom we rely in relation to various services, including but not limited to vendors, payment processors and business partners. These third parties may be vulnerable to violations of privacy laws, threats such as computer hacking, cyber-terrorism or other unauthorized attempts to access, modify or delete our or our customers' information or business assets that they service or maintain on our behalf.

In addition, there is a significant increase in non-U.S. jurisdictions considering, adopting and enforcing existing and new laws and regulations regarding a broad spectrum of privacy, data management, data transfer, and security and other matters related to online businesses and ecommerce. Non-U.S. laws and regulations are often more restrictive than those in the United States. Due to the global nature of the internet, it is possible that the governments of other states and countries might attempt to regulate our online activities such as digital transmissions, or to prosecute us for alleged violations of their laws. We might unintentionally violate such laws; such laws or their interpretation or application may be modified; and new laws may be enacted in the future. Any such developments could harm our business, operating results and financial condition. We may be subject to legal liability for our online services. The law relating to the liability of providers of online services for activities of their users is currently unsettled both within the United States and abroad. Claims may also be threatened against us for aiding and abetting, defamation, negligence, copyright or trademark infringement, or other reasons based on the nature and content of information that we collect or use, or to or from which we provide links or that may be posted online.

Employees

As of December 31, 2014, we employed 512 full-time employees, including 161 engaged in product development, 226 engaged in sales, marketing and support, 39 engaged in content operations and 86 engaged in general and administrative functions. Of these employees, 436 were located in the United States, primarily in New York, New York. In addition to our full-time employees, we also employ the services of a number of contractors, including 106 contractors focused on content review as of December 31, 2014. Of these contractors, 68 contractors were located in the United States and 38 were located outside of the United States, primarily in Canada and Europe. None of our employees is

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represented by a labor union, and we consider our company culture and employee relations to be strong.

Segments and Geographic Areas

Information about segment and geographic revenue is set forth in Note 1 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K. For a discussion of the risks attendant to foreign operations, see the information in Part I, Item 1A of this Annual Report on Form 10-K under the heading "Risk Factors" under the caption "Continuing expansion into international markets is important for our growth, and as we continue to expand internationally, we face additional business, political, regulatory, operational, financial and economic risks, any of which could increase our costs or otherwise limit our growth." For a discussion of revenue, net income and total assets, see Part II, Item 8 of this Annual Report on Form 10-K.

Seasonality

Our operating results may fluctuate from quarter to quarter as a result of a variety of factors. Our results may reflect the effects of some seasonal trends in customer behavior. For example, we expect usage to decrease during the fourth quarter of each calendar year due to the year-end holiday season, and to increase in the first quarter of each calendar year as many customers return to work. While we believe these seasonal trends have affected and will continue to affect our quarterly results, our trajectory of rapid growth may have overshadowed these effects to date. Additionally, because a significant portion of our revenue is derived from repeat customers who have purchased subscription plans, our revenues tend to be less volatile than if we had no subscription-based customers.

Available Information

Our principal office is located at 350 Fifth Avenue, 21st Floor, New York, New York 10118, and our telephone number is (646) 419-4452. Our website address is www.shutterstock.com. Our investor relations website is located at <http://investor.shutterstock.com>. We make available free of charge on our investor relations website under the heading "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with (or furnished to) the SEC. Information contained on our websites is not incorporated by reference into this Annual Report on Form 10-K. In addition, the public may read and copy materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website, www.sec.gov, that includes filings of and information about issuers that file electronically with the SEC.

Corporate History

After launching our marketplace in 2003, we organized in the State of New York as Shutterstock, Inc. in December 2004, and we became Shutterstock Images LLC in June 2007. On October 5, 2012, we reorganized from Shutterstock Images LLC, a New York limited liability company, or the LLC, to Shutterstock, Inc., a Delaware corporation, which we refer to as the Reorganization. We completed our initial public offering, or IPO, in October 2012, and completed a follow-on offering in September 2013. Our common stock is listed on the New York Stock Exchange under the symbol "SSTK".

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Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with the financial and other information contained in this Annual Report on Form 10-K, before deciding whether to invest in shares of our common stock. If any of the following risks or the risks described elsewhere in this Annual Report on Form 10-K, including in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," actually occur, our business, financial condition, operating results, cash flow and prospects could be materially adversely affected. This could cause the trading price of our common stock to decline, and you may lose part or all of your investment.

Risks Related to Our Business

The success of our business depends on our ability to continue to attract and retain customers and contributors to our online marketplace for commercial digital imagery and music.

The success of our business and our future growth depends significantly on our ability to continue to attract new customers and contributors, as well as continue to retain existing customers and contributors, to our online marketplace for commercial digital imagery and music. To maintain and increase our revenue, we must regularly add new customers and retain our existing customers. An increase in paying customers has generally attracted more images, video clips and music tracks from contributors, which increases our content selection and in turn attracts additional paying customers. To attract new customers and contributors and retain existing customers and contributors, we rely heavily on the effectiveness of our marketing efforts, the size and content of our collection and the functionality and features of our marketplace. Our marketing efforts may be unsuccessful, our collection may fail to grow as anticipated and new technologies may render the systems and features of our marketplace obsolete, any of which would adversely affect our results of operations and future growth prospects.

Our business depends in large part on repeat customer purchases from both our subscription-based and our On Demand purchase options. If customers reduce or cease their spending with us, or if content contributors reduce or end their participation in our marketplace, our business will be harmed.

The majority of our revenue is derived from customers who have purchased with us in the past. As a result, our future performance largely depends on our ability to motivate our customers to continue to purchase from us. A key factor in creating such an incentive is our ability to provide customers with the content they seek and to refresh and grow our collection of digital content based on current and future trends. We seek to achieve these goals by expanding our products, attracting new contributors to our marketplace and by retaining our existing contributors. If we are unable to attract new contributors, retain existing contributors or add new content to our online marketplace, or if we fail to do so in a timely manner, customers requiring new and up-to-date content may reduce their spending with us. Another key factor in retaining our existing customers is our ability to deliver a user experience that continues to meet customers' needs, including the quality and accuracy of our search algorithms. If we are unable to maintain or improve upon the user experience that we deliver customers in a way that motivates our customers to continue to purchase from us, our business would be harmed. Furthermore, although historically the gross margins and revenue retention rates from our subscription-based and our On Demand purchase options have been substantially similar, there can be no assurance that this will continue in future periods.

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We operate in a new and rapidly changing market, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

The market for commercial digital imagery and music is a relatively new and rapidly changing market that may not develop as expected. Our business strategy and projections rely on a number of assumptions about the market for commercial digital imagery and music, including the size and projected growth of the market over the next several years. Some or all of these assumptions may be incorrect. The market for online commercial digital imagery and music may not develop as we expect or as third party analysts have forecasted or we may fail to address the needs of this market.

The limited history of the market in which we operate makes it difficult to effectively assess our future prospects, and you should consider our business and prospects in light of the risks and difficulties we encounter in this evolving market. These risks and difficulties include our ability to:

attract new customers and retain existing customers;

offer customers the kinds of content they are seeking;

successfully compete with other companies that are currently in, or may in the future enter, the commercial digital imagery and/or music marketplace;

protect against the misuse of our content;

raise awareness of our online community and brand name;

successfully expand our business;

continue to develop a scalable, high-performance technology infrastructure that can efficiently and reliably handle increased customer and contributor usage globally, as well as the deployment of new features and services; and

avoid interruptions or disruptions in our services, including, for example, disruptions attributable to security breaches or other security incidents.

We may not be able to successfully address these risks and difficulties or others, including those described elsewhere in these risk factors. We cannot accurately predict whether our products and services will achieve significant acceptance by potential customers in significantly larger numbers than at present. You should therefore not rely on our historic growth rates as an indication of future growth.

Our business is highly competitive. Competition presents an ongoing threat to the success of our business.

The commercial digital imagery industry is intensely competitive. Competition may result in loss of market share, pricing pressures or reduced profit margins, any of which could substantially harm our business and results of operations. We compete with a wide array of companies, from significant media companies to individual imagery creators, to provide commercial digital imagery to users of such imagery. These competitors include:

other online marketplaces for imagery such as iStockphoto, Fotolia, which was recently acquired by Adobe, and Dreamstime;

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traditional stock content providers such as Getty Images and Corbis Corporation;

specialized visual content companies that are established in local, content or product-specific market segments such as Reuters Group PLC, the Associated Press and T3 Media;

websites focused on image search and discovery such as Google Images;

websites for image hosting, art and related products such as Flickr;

social networking and social media services; and

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commissioned photographers and photography agencies.

We believe that the principal competitive factors in the commercial digital imagery industry are: brand awareness; company reputation; the quality, relevance and diversity of images; the ability to source new imagery; the licensability of images and the degree to which image users are protected from legal risk; the effective use of current and emerging technology; the accessibility of imagery, distribution capability, and speed and ease of search and fulfillment; customer service; and the global nature of a company's interfaces and marketing efforts, including local languages, currencies, and payment methods. In addition, demand for our services is sensitive to price. Many external factors, including our technology and personnel costs and our competitors' pricing and marketing strategies, could significantly impact our pricing strategies. If we fail to meet our customers' price expectations, we could lose customers. A drop in our prices without a corresponding increase in volume would negatively impact our revenue.

Some of our existing and potential competitors have or may obtain significantly greater financial, marketing or other resources or greater brand awareness than we have. Some of these competitors may be able to respond more quickly to new or expanding technology and devote more resources to product development, marketing or content acquisition than we can. If competitors offer higher royalties, easier contribution workflows, less selective vetting processes or convince contributors to distribute their content on an exclusive basis, contributors may choose to stop distributing new content with us or remove their existing content from our collection. Competitors may also seek to develop new products, technologies or capabilities that could render obsolete or less competitive many of the products, services and content types that we offer. If we are unable to compete successfully against our competitors, our growth prospects and results of operations may be adversely affected.

New competitors could enter our market for digital imagery and music, and we may be unsuccessful in competing with these new entrants.

New competitors may enter our market for digital imagery and music, particularly if technological advances or other market dynamics make creating, sourcing, archiving, indexing, reviewing, searching or delivering commercial digital imagery and music easier or more affordable. While we believe that there are obstacles to creating a meaningful network effect between customers and contributors, the barriers to creating a website that allows for the sale of digital content are low, which could result in greater competition. Our contributors, for example, may freely offer the images they provide to us to our competitors and may remove their images from our collection at any time. New entrants may raise significant amounts of capital and they may choose to prioritize increasing their market share and brand awareness over profitability, including, for example, by offering higher royalties for exclusivity. Additionally, larger, more established and better capitalized entities may acquire, invest in or partner with our competitors or leverage their own image-related competencies to enter our market. For example, Adobe recently acquired one of our competitors, Fotolia, to enter our market for digital imagery, and it is possible that this acquisition may negatively impact our business and financial condition. If we are unable to compete successfully against new entrants, our growth prospects and results of operations may be adversely affected.

We may not be able to prevent the misuse of our digital content and we may be subject to infringement claims.

We rely on intellectual property laws and contractual restrictions to protect our rights and the digital content in our collection. Certain countries are very lax in enforcing intellectual property laws. Litigation in those countries will likely be costly and ineffective. Consequently, these intellectual property laws afford us only limited protection. Unauthorized parties have attempted, and may in the future attempt, to improperly use the digital content in our collection. We cannot guarantee that we will be able to prevent the unauthorized use of our digital content or that we will be successful in stopping such use once it is detected.

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We have been subject to a variety of third-party infringement claims in the past and will likely be subject to similar claims in the future. We license all of our digital content from photographers, illustrators, videographers and composers, and, although we generally have staff committed to reviewing the content that we accept into our collection, we cannot guarantee that each contributor holds the rights or releases he or she claims or that such rights and releases are adequate. As a result, we may be subject to infringement claims or other claims by third parties. Furthermore, we offer our customers indemnification of up to \$10,000 in the aggregate per customer for legal costs and direct damages arising from claims that the use of an image, video footage or music track licensed through us and used in accordance with the applicable license agreement infringes any copyright, trademark or other intellectual property right, violates any third parties' rights of privacy or publicity, violates any U.S. law, or is defamatory or libelous, or is pornographic or obscene. We also offer certain of our customers custom contracts with terms that vary from those in our standard license agreements, including providing users with indemnity for damages beyond \$10,000 per user or unlimited indemnification. Such increased or unlimited indemnity still applies only for claims for damages directly attributable to the foregoing claims. However, our contractual maximum liability may not be enforceable in all jurisdictions. We maintain insurance policies to cover potential intellectual property disputes. Since 2009, we have received approximately 35 customer claims for indemnification and following investigation of such claims, fewer than one-third of such claims have resulted in our making a cash payment to settle such claims. Aggregate amounts paid to date to settle customer indemnification claims have not been material to our business. Although we have insurance to cover indemnification claims, and although, to date, these claims have not resulted in any material liability to us, we have incurred, and will continue to incur, expenses related to such claims and related settlements, which may increase over time. If a third-party infringement claim or series of claims is brought against us for uninsured liabilities or in excess of our insurance coverage, our business could suffer. In addition, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against all losses. Any claims against us, regardless of their merit, could severely harm our financial condition and reputation, strain our management and financial resources, and adversely affect our business.

Assertions by third parties of infringement or other violations by us of intellectual property rights could result in significant costs and substantially harm our business and operating results.

Internet, technology and media companies are frequently subject to litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights or rights related to their use of technology. Some internet, technology and media companies, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims against us. Third parties may in the future assert that we have infringed, misappropriated or otherwise violated their intellectual property rights, and as we face increasing competition, the possibility of intellectual property rights claims against us grows. Such litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue, and therefore our own issued and pending patents may provide little or no deterrence to these patent owners in bringing intellectual property rights claims against us. Existing laws and regulations are evolving and subject to different interpretations, and various federal and state legislative or regulatory bodies may expand current or enact new laws or regulations. We cannot guarantee that we are not infringing or violating any third-party intellectual property rights or rights related to use of technology.

We cannot predict whether assertions of third-party intellectual property rights or any infringement or misappropriation or other claims arising from such assertions will substantially harm our business and operating results. If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims.

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Furthermore, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property; cease making, licensing or using content that is alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our technology; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content, or materials; and to indemnify our partners and other third parties. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. In addition, any lawsuits regarding intellectual property rights, regardless of their success, could be expensive to resolve and would divert the time and attention of our management and technical personnel.

Unless we increase market awareness of our company and our services, our revenue may not continue to grow.

We believe that our ability to attract and retain new customers and contributors depends in large part on our ability to increase our brand awareness within our industry. In order to increase the number of our customers and contributors, we may be required to expend greater resources on advertising, marketing, and other brand-building efforts to preserve and enhance customer and contributor awareness of our brand. Currently, a significant portion of our marketing spending consists of search engine marketing, which exposes us to risk in the event that one or more large search engines were to reconfigure their algorithms in such a way that would result in less business for us.

Our marketing campaigns or other efforts to increase our brand awareness may not succeed in bringing new visitors to our online marketplace or converting such visitors to paying customers or contributors and may not be cost-effective. Our brand may be impaired by a number of other factors, including disruptions in service due to technology issues, data privacy and security issues, and exploitation of our trademarks and other intellectual property by others without our permission.

We have experienced rapid growth in recent periods. If we fail to effectively manage our growth, our business and operating results may suffer.

We have experienced, and expect to continue to experience, significant growth, which has placed, and will continue to place, significant demands on our management and our operational and financial infrastructure. We expect that our growth strategy will require us to commit substantial financial, operational and technical resources. Continued growth could also strain our ability to maintain reliable operation of our online marketplaces for our customers and contributors, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel. As our operations grow in size, scope and complexity, we will need to improve and upgrade our systems and infrastructure, which will require significant expenditures and allocation of valuable management resources. If we fail to allocate limited resources effectively in our organization as it grows, our business, operating results and financial condition will suffer.

One of our strategic goals is to generate a larger percentage of our revenue from larger companies, which may place greater demands on us in terms of increased service, indemnification or working capital requirements, any of which could increase our costs or substantially harm our business and operating results.

One of our strategic goals is to increase the percentage of our revenue that comes from larger companies, in addition to the small and medium-size companies from whom we have generated the majority of our revenue historically. In order to win the business of larger companies, we may face greater demands in terms of increased service requirements, greater indemnification requirements, greater pricing pressure, and greater working capital to accommodate the larger receivables and collections issues that are likely to occur as a result of being paid on credit terms. If we are unable to adequately address those demands, it may affect our ability to grow our business in this segment, which

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may adversely affect our results of operations and future growth. If we address those demands in a way that expands our risk of infringement claims, significantly increases our operating costs, reduces our ability to maintain or increase pricing, or increases our working capital requirements, our business, operating results and financial condition may suffer.

Continuing expansion into international markets is important for our growth, and as we continue to expand internationally, we face additional business, political, regulatory, operational, financial and economic risks, any of which could increase our costs or otherwise limit our growth.

Continuing to expand our business to attract customers and contributors in countries other than the United States is a critical element of our business strategy. In 2014, approximately 63% of our revenue was derived from customers located outside of North America. While a significant portion of our customers reside outside of the United States, we have a limited operating history as a company outside the United States. We expect to continue to devote significant resources to international expansion through establishing additional offices, hiring additional overseas personnel and exploring acquisition opportunities. In addition, we expect to increase marketing for our foreign language offerings and to further localize our collection and user experience for foreign markets. Our ability to expand our business and to attract talented employees, as well as customers and contributors, in an increasing number of international markets requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Expanding our international focus may subject us to risks that we have not faced before or increase risks that we currently face, including risks associated with:

modifying our technology and marketing our offerings for customers and contributors beyond the 20 languages we currently offer;

localizing our content to foreign customers' preferences and customs;

legal, political or systemic restrictions on the ability of U.S. companies to do business in foreign countries, including, among others, restrictions imposed by the U.S. Office of Foreign Assets Control (OFAC) on the ability of U.S. companies to do business in certain specified foreign countries or with certain specified organizations and individuals;

compliance with foreign laws and regulations, including disclosure requirements, privacy laws, rights of publicity, technology laws and laws relating to our content;

disturbances in a specific country's or region's political, economic or military conditions, including potential sanctions (e.g., recent significant civil, political and economic disturbances in Russia, Ukraine and the Crimean peninsula);

protecting and enforcing our intellectual property rights;

recruiting and retaining talented and capable management and employees in foreign countries;

potential adverse foreign tax consequences;

strains on our financial and other systems to properly administer VAT, withholdings and other taxes;

currency exchange fluctuations; and

higher costs associated with doing business internationally.

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These risks may make it impossible or prohibitively expensive to expand to new international markets, or delay entry into such markets, which may affect our ability to grow our business.

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In addition, we could be adversely affected if legislation or regulations are imposed or expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business. For example, Russia has recently enacted a data localization law that will likely conflict with the way we currently conduct our operations by requiring all personal data of Russian citizens to be stored and processed in Russia, effective on September 1, 2015, which may negatively impact our operations.

As a result of the Reorganization, we are subject to entity-level taxation, which will result in significantly greater income tax expense than we have incurred historically.

Prior to the Reorganization on October 5, 2012, we operated as a New York limited liability company. As a limited liability company, we recognized no federal and state income taxes, as the members of the LLC, and not the entity itself, were subject to income tax on their allocated share of our earnings. On October 5, 2012, we reorganized as a Delaware corporation. Consequently, we are currently subject to entity-level taxation even though historically Shutterstock Images LLC did not pay U.S. federal or state income taxes. As a result, our corporate income tax rate has increased significantly now that we are subject to federal, state and additional city income taxes.

Our operations may expose us to greater than anticipated income tax liabilities, which could harm our financial condition and results of operations.

We have operations in various taxing jurisdictions in the United States and foreign countries, and there is a risk that our tax liabilities in one or more jurisdictions could be more than reported relative to prior taxable periods and more than anticipated relative to future taxable periods.

We believe our worldwide provision for income taxes is reasonable, but our ultimate tax liability may differ from the amounts recorded in our financial statements and may materially adversely affect our financial results in the period or periods for which such determination is made. We have created reserves with respect to such tax liabilities where we believe it to be appropriate. However, there can be no assurance that our ultimate tax liability will not exceed the reserves that we have created.

Furthermore, the current administration of the U.S. federal government has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed changes to U.S. tax laws. Changes to U.S. tax laws that may be enacted in the future could impact our tax liabilities. Due to the large and expanding scale of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and harm our financial position and results of operations.

Our operations may expose us to greater than anticipated sales and transaction tax liabilities, including VAT, which could harm our financial condition and results of operations.

We may have exposure to sales or other transaction taxes (including VAT) on our past and future transactions in such jurisdictions where we are required to report taxable transactions. A successful assertion by any state or local jurisdiction or country that we failed to pay such sales or other transaction taxes, or the imposition of new laws requiring the payment of such taxes, could result in substantial tax liabilities related to past sales, create increased administrative burdens or costs, discourage customers from purchasing digital content from us, or otherwise substantially harm our business and results of operations.

If we do not respond to technological changes or upgrade our websites and technology systems, our growth prospects and results of operations could be adversely affected.

To remain competitive, we must continue to enhance and improve the functionality and features of our websites in addition to our infrastructure. For example, as the proportion of our business related to

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video footage licensing continues to increase, we will need to expand and enhance our technological capabilities to ingest, store and search video content in ways that are similar to our management of images. A video footage clip represents significantly more data as compared to a still image. As a result, we will need to continue to improve and expand our hosting and network infrastructure and related software capabilities. These improvements may require greater levels of spending than we have experienced in the past. Without such improvements, our operations might suffer from unanticipated system disruptions, slow application performance or unreliable service levels, any of which could negatively affect our reputation and ability to attract and retain customers and contributors. Furthermore, in order to continue to attract and retain new customers, we are likely to incur expenses in connection with continuously updating and improving our user interface and experience. We may face significant delays in introducing new services, products and enhancements. If competitors introduce new products and services using new technologies or if new industry standards and practices emerge, our existing websites and our proprietary technology and systems may become obsolete or less competitive, and our business may be harmed. In addition, the expansion and improvement of our systems and infrastructure may require us to commit substantial financial, operational and technical resources, with no assurance that our business will improve.

Technological interruptions that impair access to our websites or the efficiency of our marketplace could damage our reputation and brand and adversely affect our results of operations.

The satisfactory performance, reliability and availability of our websites and our network infrastructure are critical to our reputation, our ability to attract and retain both customers and contributors to our online marketplace and our ability to maintain adequate customer service levels. Any system interruptions that result in the unavailability of our websites could result in negative publicity, damage our reputation and brand or adversely affect our results of operations. We have in the past experienced, and may in the future experience temporary system interruptions for a variety of reasons, including security breaches and other security incidents, viruses, telecommunication and other network failures, power failures, software errors, data corruption, denial-of-service attacks, or an overwhelming number of visitors trying to reach our websites during periods of strong demand. We rely upon third-party service providers, such as co-location and cloud service providers, for our data centers and application hosting, and we are dependent on these third parties to provide continuous power, cooling, internet connectivity and physical security for our servers. In the event that these third-party providers experience any interruption in operations or cease business for any reason, or if we are unable to agree on satisfactory terms for continued hosting relationships, our business could be harmed and we could be forced to enter into a relationship with other service providers or assume hosting responsibilities ourselves. Although we operate two data centers in an active/standby configuration for geographic redundancy and even though we maintain a third disaster recovery facility to back up our collection, a system disruption at the active data center could result in a noticeable disruption to our websites until all website traffic is redirected to the standby data center. Even a disruption as brief as a few minutes could have a negative impact on marketplace activities and could therefore result in a loss of revenue. Because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all. In addition, we have entered into service level agreements with some of our larger customers. Technological interruptions could result in a breach of such agreements and subject us to considerable penalties.

Failure to protect our intellectual property could substantially harm our business and operating results.

The success of our business depends on our ability to protect and enforce our patents, trade secrets, trademarks, copyrights and all of our other intellectual property rights, including our intellectual property rights underlying our online marketplace and search algorithms. We protect our intellectual property rights under trade secret, trademark, copyright and patent law, and through a combination of employee and third-party nondisclosure agreements, other contractual restrictions, and

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other methods. These afford only limited protection. Similarly, third parties may be able to independently develop similar or superior technology, processes, content or other intellectual property. Despite our efforts to protect our intellectual property rights and trade secrets, unauthorized parties may attempt to copy aspects of our intellectual property and use our trade secrets and other confidential information. Moreover, policing our intellectual property rights is difficult, costly and may not always be effective. To the extent these unauthorized parties, which may include our competitors, are successful in copying aspects of, or using without our authorization, our search algorithms and our trade secrets, our business could be harmed.

We have registered or applied to register "Shutterstock," "Offset," "Skillfeed," "Bigstock," "Big Stock Photo," "WebDAM," "PremiumBeat" and "Rex Features" and other marks as trademarks in the United States and other jurisdictions. Nevertheless, competitors may adopt service names confusingly similar to ours, or purchase our trademarks and confusingly similar terms as keywords in internet search engine advertising programs, thereby impeding our ability to build brand identity and possibly leading to confusion among our customers. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term "Shutterstock" or our other trademarks. Any claims or customer confusion related to our trademarks could damage our reputation and brand and substantially harm our business and operating results.

We are the registered owner of the shutterstock.com, bigstock.com, offset.com, skillfeed.com, webdam.com, premiumbeat.com, and rexfeatures.com internet domain names and various other related domain names. Domain names are generally regulated by internet regulatory bodies. If we lose the ability to use a domain name in a particular country, we would be forced either to incur significant additional expenses to market our products within that country or to elect not to sell products in that country. Either result could harm our business and operating results. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize our brand names in the United States or other countries in which we conduct business or in which we may conduct business in the future.

In order to protect our trade secrets and other confidential information, we rely in part on confidentiality agreements with our employees, consultants and third parties with whom we have relationships. These agreements may not effectively prevent disclosure of trade secrets and other confidential information and may not provide an adequate remedy in the event of misappropriation of trade secrets or any unauthorized disclosure of trade secrets and other confidential information. In addition, others may independently discover or develop our trade secrets and confidential information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce or determine the scope of our trade secret rights and related confidentiality and nondisclosure provisions. Failure to obtain or maintain trade secret protection, or our competitors' acquisition of our trade secrets or independent development of unpatented technology similar to ours or competing technologies, could adversely affect our competitive business position.

Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and foreign countries may be necessary in the future to enforce our intellectual property rights, to protect our patent rights, trademarks, trade secrets and domain names and to determine the validity and scope of the proprietary rights of others. Furthermore, the monitoring and protection of our intellectual property rights may become more difficult, costly and time consuming as we continue to expand internationally, particularly in certain markets, such as China and certain other developing countries in Asia, in which legal protection of intellectual property rights is less robust than in the United States and in Europe. Our efforts to

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enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources and management time, each of which could substantially harm our operating results.

Much of the software and technologies used to provide our services incorporate, or have been developed with, "open source" software, which may restrict how we use or distribute our services or require that we publicly release certain portions of our source code.

Much of the software and technologies used to provide our services incorporate, or have been developed with, "open source" software. Such "open source" software may be subject to third party licenses that impose restrictions on our software and services. Examples of "open source" licenses include the GNU General Public License and GNU Lesser General Public License. Such open source licenses typically require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. Few courts have interpreted open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty. We rely on multiple software engineers to design our proprietary technologies, and we do not exercise complete control over the development efforts of our engineers. In the event that portions of our proprietary technology are determined to be subject to an open source license, we could be required to publicly release portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our services and technologies and materially and adversely affect our ability to sustain and grow our business.

Our operating results may fluctuate, which could cause our results to fall short of expectations and our stock price to decline.

Our revenue and operating results could vary significantly from quarter to quarter and year to year due to a variety of factors, many of which are outside our control. As a result, comparing our operating results on a period to period basis may not be meaningful. In addition to other risk factors discussed in this "Risk Factors" section, factors that may contribute to the variability of our quarterly and annual results include:

our ability to retain our current customers and to attract new customers and contributors;

our ability to provide new and relevant content to our customers;

our ability to effectively manage our growth;

the effects of increased competition on our business;

our ability to keep pace with changes in technology or our competitors;

changes in our pricing policies or the pricing policies of our competitors;

interruptions in service, whether or not we are responsible for such interruptions, and any related impact on our reputation and brand;

costs associated with defending any litigation or other claims, including those related to our indemnification of our customers;

our ability to pursue, and the timing of, entry into new geographies or markets and, if pursued, our management of this expansion;

the impact of general economic conditions on our revenue and expenses;

seasonality;

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changes in government regulation affecting our business; and

costs related to potential acquisitions of technology or businesses.

Because of these risks and others, it is possible that our future results may be below our expectations and the expectations of analysts and investors. In such an event, the price of our common stock may decline significantly.

Our failure to protect the confidential information of our customers and our networks against security breaches and the risks associated with credit card fraud could expose us to liability, protracted and costly litigation and damage our reputation.

We collect limited confidential information in connection with registering customers and contributors and other marketplace-related processes on our websites and, in particular, in connection with processing and remitting payments to and from our customers and contributors. Although we maintain security features on our websites, our security measures may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our websites. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication to effectively secure transmission of the confidential information that we process for our customers, and such technology may fail to function properly or may be compromised or breached. Additionally, as described above, we use third-party payment processors and co-location and cloud service vendors for our data centers and application hosting, and their security measures may not prevent security breaches and other disruptions that may jeopardize the security of information stored in and transmitted through their systems. A party that is able to circumvent our security measures, or the security measures of our third-party payment processors or co-location and cloud service vendors for our data centers and application hosting, could misappropriate proprietary information, cause interruption in our operations, damage or misuse our websites, distribute or delete content owned by our contributors, and misuse the information that they misappropriate. Additionally, our systems may be breached by third parties without our being aware that our systems or data have been compromised. Given that the techniques used to obtain unauthorized access, attack, disable or degrade services, or sabotage systems, are constantly evolving in sophisticated ways to avoid detection, we may be unable to anticipate these techniques or to implement adequate preventative measures.

We may also be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. In addition, a significant cyber-security breach could result in payment networks prohibiting us from processing transactions on their networks. Security and fraud-related issues are likely to become more challenging as we expand our operations.

Furthermore, some of the software and services that we use to operate our business, including our internal email and customer relationship management software, are hosted by third parties. If these services were to experience a security breach or be interrupted or were to cause us to lose control of confidential information, our business operations could be disrupted and we could be exposed to liability and costly litigation.

Under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder's signature. We do not currently carry insurance against this risk. To date, we have experienced minimal impact to our financial statements from credit card fraud, but we continue to face the risk of significant losses from this type of fraud.

If any compromise of our security, or that of our third-party payment processors or co-location and cloud service vendors for our data centers and application hosting, were to occur, we may lose

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customers and our reputation, business, financial condition and operating results could be harmed. Any compromise of security may result in us being out of compliance with U.S. federal and state laws, and international laws and contractual commitments, and we may be subject to lawsuits, fines, criminal penalties, statutory damages, and other costs. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any regulatory requirements or orders or other federal, state, or international privacy, security or consumer protection-related laws and regulations, could result in proceedings or actions against us by governmental entities or others, subject us to significant penalties and negative publicity, and adversely affect our results of operations. In addition, our failure to adequately control fraudulent credit card transactions could damage our reputation and brand and substantially harm our business and results of operations.

Government regulation of the internet, both in the United States and abroad, is evolving and unfavorable changes could have a negative impact on our business.

The adoption, modification or interpretation of laws or regulations relating to the internet, ecommerce or other areas of our business could adversely affect the manner in which we conduct our business or the overall popularity or growth in use of the internet. Such laws and regulations may cover a vast array of activities, for example, automatic contract or subscription renewal, credit card fraud and processing, sales, advertising and other procedures, taxation, tariffs, data privacy, data management and storage, and cyber-security, pricing, content, copyrights, distribution, electronic contracts, consumer protection, outsourcing, broadband residential internet access, internet neutrality and the characteristics and quality of products or services, and intellectual property ownership and infringement. In certain countries, such as those in Europe, such laws may be more restrictive than in the United States. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, data privacy and security apply to the internet and ecommerce as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or ecommerce. Those laws that relate to the internet are at various stages of development and interpretation by the courts and agencies, and thus, the scope and reach of their applicability can be uncertain. For example, the Children's Online Privacy Protection Act in the U.S. regulates the ability of online services to collect or use certain information from children under the age of thirteen. In addition, the Russian government recently passed a law requiring that personal data of Russian citizens be stored on servers located in Russia. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses, make it more difficult to renew subscriptions automatically, make it more difficult to attract new customers or otherwise alter our business model, or cause us to divert resources and funds to address government or private investigatory or adversarial proceedings. Any of these outcomes could have a material adverse effect on our business, financial condition or results of operations.

We currently provide content licensing to customers in more than 150 countries. The privacy, data security, censorship and liability standards and other potentially applicable rules or regulations, and intellectual property laws of those foreign countries, may be different than those in the United States. To the extent that any local laws or regulations apply to our company or operations and we are deemed to not be in compliance with them, our business may be harmed.

Action by governments to restrict access to, or operation of, our products or services in their countries could substantially harm our business and financial results.

Foreign governments, or internet service providers acting pursuant to foreign government policies or orders, of one or more countries may seek to censor content available through our products and services in their country, restrict access to our products and services from their country entirely, or impose other restrictions that may affect the accessibility of our products or services in their country

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for an extended period of time or indefinitely if our products and services are deemed to be in violation of their local laws and regulations. For example, domestic internet service providers have blocked access to Shutterstock in China and other countries, such as Turkey, have intermittently restricted access to Shutterstock. Additionally, the governments of Russia and Turkey have recently imposed new regulations that will require local transaction processing by payment service providers. In addition, the Russian government recently passed a law requiring that personal data of Russian citizens must be stored on servers located in Russia. If we are subject to these new regulations and laws, or are not eligible for an exception, we may be forced to significantly change or discontinue our operations in such markets. In the event that access to our products and services is restricted, in whole or in part, in one or more countries or our competitors are able to successfully penetrate geographic markets that we cannot access, our ability to retain or increase our contributor and customer base may be adversely affected, we may not be able to maintain or grow our revenue as anticipated, and our financial results could be adversely affected.

Expansion of our operations into additional content categories and service areas may subject us to additional business, legal, financial and competitive risks.

Currently, our operations are focused in significant part on digital still images. Further expansion of our operations and our marketplace into video footage and music or additional content categories, or into new services such as WebDAM, involves numerous risks and challenges, including increased capital requirements, potential new competitors and the need to develop new contributor and strategic relationships. Growth into additional content and service areas may require changes to our existing business model and cost structure and modifications to our infrastructure and may expose us to new regulatory and legal risks, any of which may require expertise in which we have little or no experience. There is no guarantee that we will be able to generate sufficient revenue from sales of such content and services to offset the costs of acquiring such content and services.

The impact of worldwide economic conditions, including effects on advertising and marketing budgets, may adversely affect our business and operating results.

Our financial condition is affected by worldwide economic conditions and their impact on advertising spending. Expenditures by advertisers generally tend to reflect overall economic conditions, and to the extent that the economy stagnates, companies may reduce their spending on advertising and marketing, and thus the use of our online marketplace. This could have a serious adverse impact on our business. To the extent that overall economic conditions reduce spending on advertising and marketing activities, our ability to retain current and obtain new customers could be hindered, which could reduce our revenue and negatively impact our business.

The loss of key personnel, an inability to attract and retain additional personnel or difficulties in the integration of new members of our management team into our company could affect our ability to successfully grow our business.

Our future success will depend upon our ability to identify, attract, retain and motivate highly skilled technical, managerial, product development, marketing, content operations and customer service employees. Competition for qualified personnel is intense in our industry. We cannot guarantee that we will be successful in our efforts to attract such personnel.

We are highly dependent on the continued service and performance of our senior management team, as well as key technical and marketing personnel. Our inability to find suitable replacements for any of the members of our senior management team and our key technical and marketing personnel, should they leave our employ, would adversely impair our ability to implement our business strategy and could have a material adverse effect on our business and results of operations. We believe the

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successful integration of our management team is critical to managing our operations effectively and to supporting our growth.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork and focus that contribute crucially to our business.

We believe that a critical component of our success is our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes a focus on execution. We have invested substantial time, energy and resources in building a highly collaborative team that works together effectively in a non-hierarchical environment designed to promote openness, honesty, mutual respect and pursuit of common goals. As we develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

If we do not successfully integrate past or potential future acquisitions, our business could be adversely impacted.

We have in the past pursued, and we may in the future pursue, acquisitions that are complementary to our existing business and that may expand our employee base and the breadth of our offerings. Future acquisitions or investments could result in potential dilutive issuances of equity securities, use of significant cash balances or the incurrence of debt, contingent liabilities or amortization expenses related to goodwill and other intangible assets, any of which could adversely affect our financial condition and results of operations. The benefits of an acquisition or investment may also take considerable time to develop, and we cannot be certain that any particular acquisition or investment will produce the intended benefits.

Integration of a new company's operations, assets and personnel into ours may require significant attention from our management. The diversion of our management's attention away from our current operations or the pursuit of other opportunities that could be beneficial to us and any difficulties encountered in the integration process could harm our ability to manage our business. For example, in January 2015 we acquired Rex, a premier source of editorial images, and PremiumBeat, a curated, royalty-free music library. There can be no assurance that we will be able to successfully integrate these businesses or any other companies, products or technologies that we acquire. Future acquisitions will also expose us to potential risks, including risks associated with any acquired liabilities, the integration of new operations, technologies and personnel, unforeseen or hidden liabilities, information security vulnerabilities, the diversion of resources from our existing businesses, sites and technologies, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions, and potential loss of, or harm to, our relationships with employees, customers, contributors and other suppliers as a result of integration of new businesses.

We may need to raise additional capital in the future and may be unable to do so on acceptable terms or at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or functions of our online marketplace, improve our operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional capital. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants

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relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

We are subject to payments-related risks that may result in higher operating costs or the inability to process payments, either of which could harm our financial condition and results of operations.

We accept payments using a variety of methods, including credit cards and debit cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements and fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards and debit cards, and it could disrupt our business if these companies became unwilling or unable to provide these services to us, for example, if they were to suffer a cyberattack or security incident. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from consumers or facilitate other types of online payments.

We are also subject to, or voluntarily comply with, a number of other laws and regulations relating to money laundering, international money transfers, privacy and information security and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to civil and criminal penalties or forced to cease our operations.

We are exposed to fluctuations in currency exchange rates, which could adversely affect our results.

Because we conduct a significant portion of our business outside of the United States but report our financial results in U.S. Dollars, we face exposure to adverse movements in currency exchange rates. Our foreign operations are exposed to foreign exchange rate fluctuations as the financial results are translated from the local currency into U.S. Dollars upon consolidation. If the U.S. Dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions will result in increased revenue, operating expenses and net income. Similarly, if the U.S. Dollar strengthens against foreign currencies, the translation of these foreign currency denominated transactions will result in decreased revenue, operating expenses and net income. As exchange rates vary, sales and other operating results, when translated, may differ materially from expectations.

We have foreign currency risks related to foreign-currency denominated revenue. All amounts owed and paid to our foreign contributors are denominated and paid in U.S. Dollars. In general, transactions in foreign currencies are paid net of foreign-currency exchange rate charges. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. Dollar, will negatively affect our revenue and other operating results as expressed in U.S. Dollars.

During the year ended December 31, 2013, we established foreign subsidiaries in various countries around the world, and as a result the financial statements of these recently created foreign subsidiaries are recorded in the applicable foreign currency (functional currencies). Financial information is translated from the applicable functional currency to the U.S. Dollar (the reporting currency) for inclusion in our consolidated financial statements. Income, expenses and cash flows are translated at average exchange rates prevailing during the fiscal period, and assets and liabilities are translated at fiscal period-end exchange rates. Resulting translation adjustments are included as a component of

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accumulated other comprehensive income (loss) in stockholders' equity. During the year ended December 31, 2012, we determined that the U.S. Dollar was our functional currency worldwide and therefore did not have any foreign currency translation adjustment. During the years ended December 31, 2014, 2013 and 2012, our foreign currency transaction activity was immaterial to the financial statements. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in order to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

We depend on the continued growth of online commerce and the continued adoption of digital imagery and music. If these trends do not continue, our growth prospects and results of operations could be adversely impacted.

The business of selling goods and services over the internet is dynamic and, in certain of our foreign markets, relatively new. Concerns about fraud, privacy and other problems may discourage additional consumers from adopting the internet as a medium of commerce. In countries such as the United States and the United Kingdom, where our services and online commerce generally have been available for some time and the level of market penetration of our services is higher than in other countries, acquiring new customers may be more difficult and costly than it has been in the past. In order to expand our customer base, we may need to appeal to and acquire customers who historically have used traditional means of commerce to purchase goods and services. If these target customers prove to be less active than our earlier customers our business could be adversely impacted.