

Shutterstock, Inc.
Form 10-Q
November 20, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

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.)

Jonathan Oringer

Chief Executive Officer

Shutterstock, Inc.

60 Broad Street, 30th Floor

New York, NY 10004

(Address of principal executive offices, including zip code)

(646) 419-4452

(Registrant's telephone number, including area code)

Indicate by check mark whether 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 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.

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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

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

Class	Outstanding at November 16, 2012
Common Stock, \$0.01 par value per share	33,513,281

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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology such as believe, may, estimate, continue, anticipate, intend, expect, predict, potential, project, guidance, target, forecast

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements as a result of certain factors, as more fully described in Part II, Item 1A (Risk Factors) of this Quarterly Report on Form 10-Q and in the reports and documents filed from time to time by us with the Securities and Exchange Commission (the "SEC").

Forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

WHERE YOU CAN FIND MORE INFORMATION

Shutterstock's corporate website is located at www.shutterstock.com. Shutterstock makes available free of charge, on our corporate website, our annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with, or furnishing to, the SEC. Information contained on Shutterstock's corporate website is not part of this report or any other report filed with the SEC.

Shutterstock operated as a New York limited liability company as of September 30, 2012. In May 2012, in connection with the filing of a registration statement for the Company's initial public offering, the Company formed Shutterstock, Inc., a Delaware corporation, as a wholly-owned subsidiary of the Company. On October 5, 2012, the Company reorganized by way of a merger of the LLC with and into Shutterstock, Inc., with Shutterstock, Inc. surviving in the merger.

Unless the context otherwise indicates, references in this report 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.

Table of Contents**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****Shutterstock Images LLC****Consolidated Balance Sheets****(In thousands)**

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,793	\$ 14,097
Credit card receivables	2,100	964
Accounts receivable, net	1,377	647
Prepaid expenses and other current assets	5,151	1,554
Deferred tax assets	807	644
Due from related party		168
Total current assets	38,228	18,074
Property and equipment, net	5,402	3,844
Intangible assets, net	1,045	1,029
Goodwill	1,423	1,423
Deferred tax assets	146	58
Other assets	427	427
Total assets	\$ 46,671	\$ 24,855
LIABILITIES, REDEEMABLE PREFERRED MEMBERS INTEREST, MEMBERS DEFICIT AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 2,325	\$ 1,838
Accrued expenses	13,728	10,875
Contributor royalties payable	6,734	5,261
Deferred revenue	36,214	28,451
Term loan facility	12,000	
Other liabilities	95	85
Total current liabilities	71,096	46,510
Other non-current liabilities	5,454	2,548
Total liabilities	76,550	49,058
Commitments and contingencies (Note 8)		
Redeemable preferred members interest	27,675	33,725
Members deficit:		
Common members interest	5,699	5,699
Accumulated deficit	(63,253)	(63,627)
Total members deficit	(57,554)	(57,928)
Total liabilities, redeemable preferred members interest, and members deficit	\$ 46,671	\$ 24,855

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The accompanying notes are an integral part of these financial statements.

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Shutterstock Images LLC

Consolidated Statements of Operations

(In thousands, except for share and per share information)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue	\$ 42,260	\$ 31,156	\$ 120,459	\$ 85,543
Operating expenses:				
Cost of revenue	16,208	11,373	46,312	32,529
Sales and marketing	9,633	8,493	32,760	