



## E-Commerce Driven Business Bringing Lab-Created Gemstones & Jewelry to Market Through Innovative Technology and Direct-To-Consumer Engagement

### Company Overview

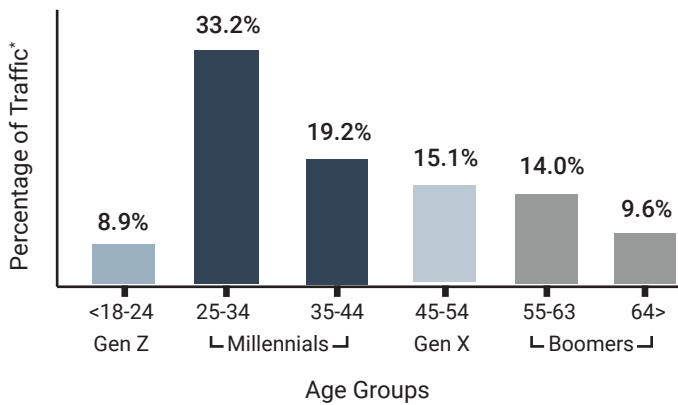
Charles & Colvard, Ltd. (Nasdaq: CTHR) believes luxury can be beautiful and conscientious. As an e-commerce business, the Company's goal is to bring revolutionary gemstones and jewelry to market through the use of innovative technology and direct-to-consumer (DTC) engagement.



### Investment Summary

- High quality, ethically-sourced product
- Broad omni-channel distribution network
- Expanding global market for lab-created gemstones
- E-commerce oriented customer base of Millennials and Gen Zs
- DTC model fueling 40-50% gross margins
- Healthy balance sheet
- Global online fashion jewelry: \$45B<sup>1,2</sup>
- Global online fine jewelry: \$30B<sup>1,2</sup>

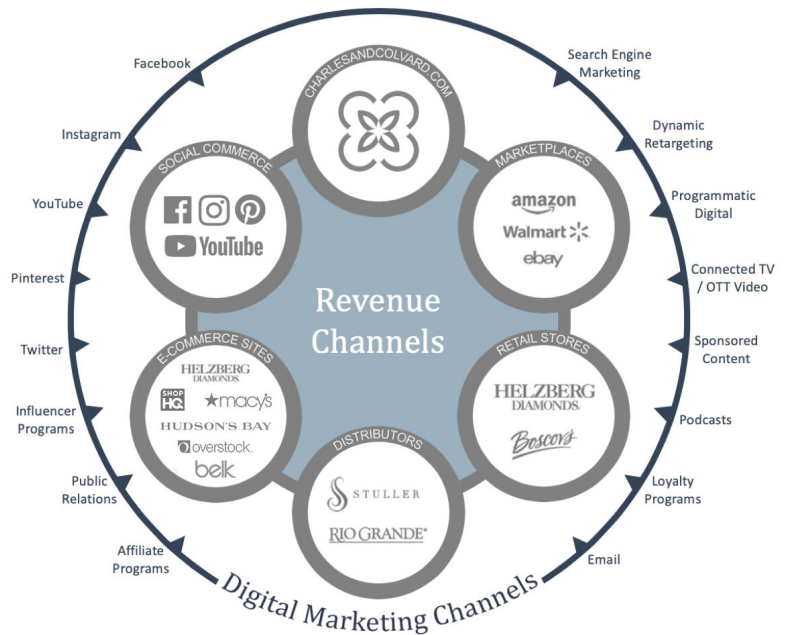
### Customer Demographics



**27** **Commitment**  
is the average age of engagement in the U.S.<sup>3</sup>

\*Google Analytics Percentage of Traffic by Age on charlesandcolvard.com for March 2019 - March 2020

### Omni-Channel Strategy



### The New Luxury Buyer: Statistics



#### Purchasing Power

**45%** of luxury market purchases will be made by Millennials & Gen Z by 2025<sup>4</sup>



#### Social Conscience

**87%** of Millennials are more willing to purchase a product that has social or environmental benefits<sup>5</sup>



#### Connected

**72%** of Millennials say that if a brand engaged with them on social networks, they are more likely to become a loyal customer<sup>6</sup>



#### Value-Oriented

**2/3** of young Americans think an engagement ring should cost less than \$2,500<sup>7</sup>



#### Digital & Mobile

**76%** of Millennials browse the internet before making either an online or offline purchasing decision<sup>8</sup>

## Moissanite: The World's Most Brilliant Gem®

- Rare, naturally occurring mineral (Silicon Carbide)
- Discovered in 1893 by Dr. Henri Moissan in a meteorite crater
- Now grown in high-tech laboratories in Research Triangle Park, NC
- More fire and brilliance than a diamond
- Harder than sapphire, emerald and ruby



### Net Sales - Q3 FY2020

In Millions	Net Sales Overall	Online Channels Segment	Traditional Segment	Finished Jewelry/ Loose Stones
Q3 FY2020	\$6.5	\$3.8	\$2.7	\$3.5 (Finished) \$3.0 (Loose)
Q3 FY2019	\$7.9	\$4.2	\$3.7	\$4.0 (Finished) \$3.9 (Loose)
Q3 FY2020 NOTES	COVID-19 Impact	59% of net sales	41% of net sales	

### Financial Summary - Annual & YTD

In Millions	9 MONTHS ENDED MARCH 31		12 MONTHS ENDED JUNE 30	
	YTD 2020*	2019	2018**	
Net Sales	\$24.8	\$32.2	\$27.9	
Net (Loss) Income	(\$5.1)	\$2.3	(\$0.8)	
(Loss) Earnings per Diluted Share	(\$0.18)	\$0.10	(\$0.04)	
Weighted Average Shares Outstanding - Diluted	28.7	22.1	21.3	
Total Cash	\$11.9	\$13.0	\$3.4	
Inventory	\$31.7	\$33.7	\$31.8	

\*Included \$5.3M write-off of legacy material inventory in Q3 FY2020

\*\*2018 results are unaudited and recast to reflect change in fiscal year

### Q3 FY2020 Summary\*

- Net sales decreased 18% with COVID-19 impact
- Inventory levels optimized with write-off of \$5.3 million of legacy silicon carbide (SiC) material
- Net loss was \$6.2 million, or \$0.21 loss per diluted, including inventory write-off
- Healthy balance sheet with \$11.9 million in cash, \$5 million available credit line and no debt at 3/31/20
- Expanded selection of Charles & Colvard jewelry included on transactional websites of multiple drop-ship partners
- Moissanite was highlighted in recent engagement trends survey by popular wedding site, *The Knot*, as most common center stone after diamond (19%), doubling in popularity since 2017

\*Comparisons to Quarter Ended 3/31/19 unless otherwise noted

### Online Channels Net Sales

In Millions	9 MONTHS ENDED MARCH 31		12 MONTHS ENDED JUNE 30	
	YTD 2020	2019	2018*	
Net Sales	\$13.6	\$16.3	\$13.1	
% Of Total Sales	55%	51%	47%	

\*2018 results are unaudited and recast to reflect change in fiscal year end

### Finished Jewelry Net Sales

In Millions	9 MONTHS ENDED MARCH 31		12 MONTHS ENDED JUNE 30	
	YTD 2020	2019	2018*	
Net Sales	\$13.8	\$15.5	\$13.0	
% Of Total Sales	56%	48%	47%	

\*2018 results are unaudited and recast to reflect change in fiscal year end

### Contact Us

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For more information, visit [charlesandcolvard.com](http://charlesandcolvard.com)

1 As Fine Jewelry Moves Online, The Market Sparkles (April 2016)  
2 A Multifaceted Future: The Jewelry Industry in 2020 (February 2014)  
3 The Balance Article - What is the Average Age of Marriage in the U.S.? Rebecca Lake (Fall 2019)  
4 MVI Marketing Consumer Research Study (Fall 2018)  
5 CNBC Article - Quoting Bank of America Merrill Lynch analyst Ashley Wallace (June 2016)  
6 TELUS International / Harris Insight Survey (Summer 2018)  
7 TD Ameritade: Young Americans & Marriage Survey (May 2019)  
8 The Millennial Shopping Report (Summer 2017) TELUS International / Harris Insight Survey (Summer 2018)