



# CHARLES & COLVARD®

*Q2 Fiscal 2021 Earnings  
Conference Call Presentation*





# Forward Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements expressing expectations regarding our future and projections relating to our products, sales, revenues, and earnings are typical of such statements and are made under the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about our plans, objectives, representations, and contentions and are not historical facts and typically are identified by use of terms such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “continue,” and similar words, although some forward-looking statements are expressed differently.

All forward-looking statements are subject to the risks and uncertainties inherent in predicting the future. You should be aware that although the forward-looking statements included herein represent management’s current judgment and expectations, our actual results may differ materially from those projected, stated, or implied in these forward-looking statements as a result of many factors including, but not limited to, (1) our business, financial condition and results of operations could continue to be adversely affected by an ongoing COVID-19 pandemic and related global economic conditions; (2) our future financial performance depends upon increased consumer acceptance, growth of sales of our products, and operational execution of our strategic initiatives; (3) the execution of our business plans could significantly impact our liquidity; (4) our business and our results of operations could be materially adversely affected as a result of general and economic conditions; (5) the financial difficulties or insolvency of one or more of our major customers or their lack of willingness and ability to market our products could adversely affect results; (6) we face intense competition in the worldwide gemstone and jewelry industry; (7) we are subject to certain risks due to our international operations, distribution channels and vendors; (8) our business and our results of operations could be materially adversely affected as a result of our inability to fulfill orders on a timely basis; (9) we are currently dependent on a limited number of distributor and retail partners in our Traditional segment for the sale of our products; (10) we rely on assumptions, estimates, and data to calculate certain of our key metrics and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business; (11) we may experience quality control challenges from time to time that can result in lost revenue and harm to our brands and reputation; (12) seasonality of our business may adversely affect our net sales and operating income; (13) our operations could be disrupted by natural disasters; (14) our loan, pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act as administered by the U.S. Small Business Administration may not be forgiven or may subject us to challenges and investigations regarding qualification for the loan; (15) we may not be able to adequately protect our intellectual property, which could harm the value of our products and brands and adversely affect our business; (16) negative or inaccurate information on social media could adversely impact our brand and reputation; (17) sales of moissanite and lab grown diamond jewelry could be dependent upon the pricing of precious metals, which is beyond our control; (18) our current customers may potentially perceive us as a competitor in the finished jewelry business; (19) our failure to maintain compliance with The Nasdaq Stock Market’s continued listing requirements could result in the delisting of our common stock; (20) we depend on an exclusive supply agreement with Cree, Inc., for substantially all of our silicon carbide, or SiC, crystals, the raw materials we use to produce moissanite jewels; if our supply of high-quality SiC crystals is interrupted, our business may be materially harmed; (21) if the e-commerce opportunity changes dramatically or if e-commerce technology or providers change their models, our results of operations may be adversely affected; (22) a failure of our information technology infrastructure or a failure to protect confidential information of our customers and our network against security breaches could adversely impact our business and operations; (23) if we fail to evaluate, implement, and integrate strategic acquisition or disposition opportunities successfully, our business may suffer; (24) governmental regulation and oversight might adversely impact our operations; and (25) some anti-takeover provisions of our charter documents may delay or prevent a takeover of our company, in addition to the other risks and uncertainties described in our filings with the U. S. Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the fiscal year ended June 30, 2020 and subsequent reports filed with the SEC. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur except as required by the federal securities laws, and you are urged to review and consider disclosures that we make in the reports that we file with the SEC that discuss other factors relevant to our business.



# Agenda

- Business Highlights
- Q2 FY 2021 Financial Summary
- FY 2021 Strategic Initiatives
- Q&A



## Record-Breaking Quarter

<p><b>Revenue</b></p> <p>↑ 14% to <b>\$12.1M*</b></p>	<p><b>Net Income and EPS</b></p> <p>↑ 209% to <b>\$2.5M</b> <b>\$0.09</b> per diluted share*</p>
<p><b>Gross Margin</b></p> <p><b>49%</b></p>	<p><b>Cash Flow</b></p> <p><b>\$3M</b> from operations <b>\$16.9M</b> total cash</p>
<p><b>Net Income</b> (Six Months Ended 12/31/2020)</p> <p>↑ <b>232%**</b></p>	<p><b>EPS</b> (Six Months Ended 12/31/2020)</p> <p>↑ <b>300%**</b></p>

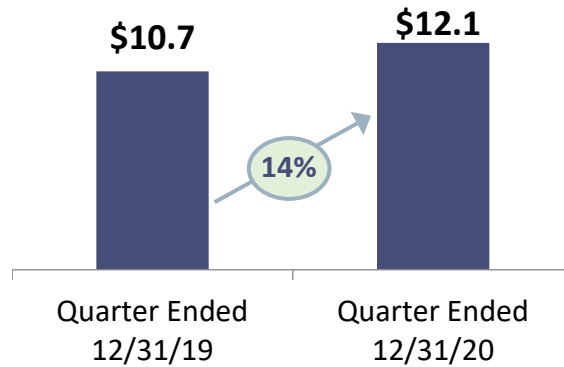


# Financial Summary

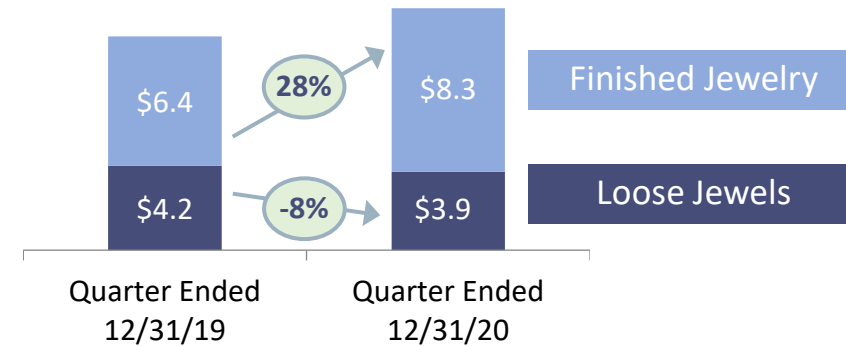


# Q2 FY 2021 Net Sales

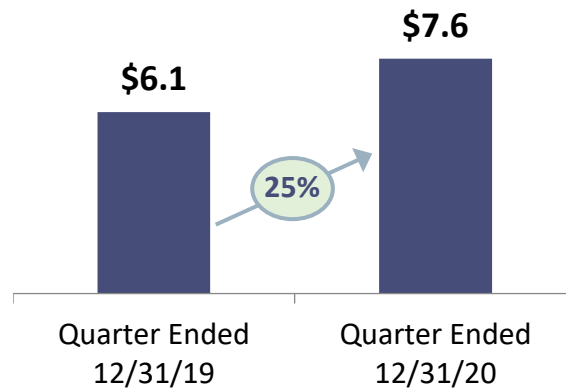
### Net Sales (\$M)



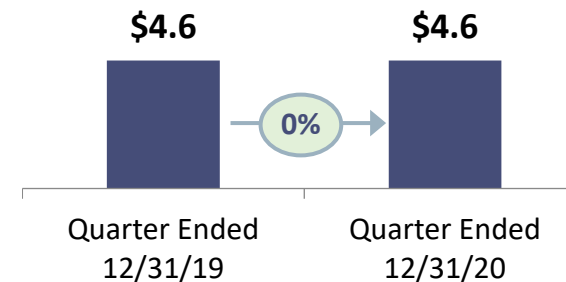
### Loose Jewel & Finished Jewelry Net Sales (\$M)



### Net Sales from Online Channels Segment (\$M)



### Net Sales from Traditional Segment (\$M)





## Q2 FY 2021 Gross Margin



**48%**



Quarter Ended 12/31/19

**49%**



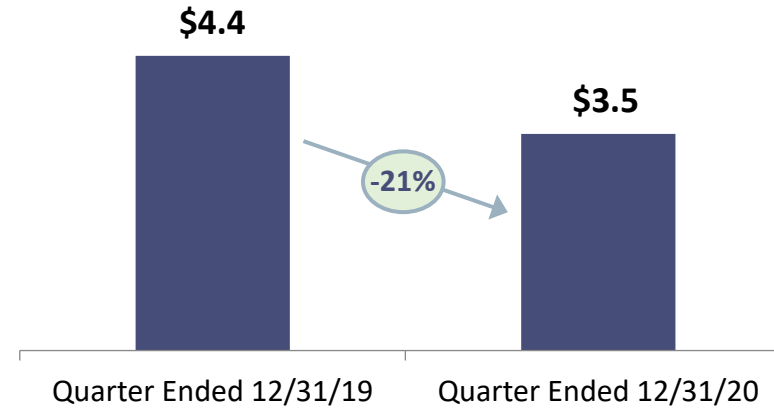
Quarter Ended 12/31/20



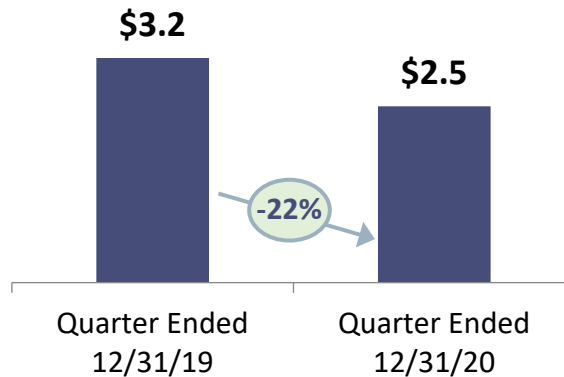


# Q2 FY 2021 Operating Expenses

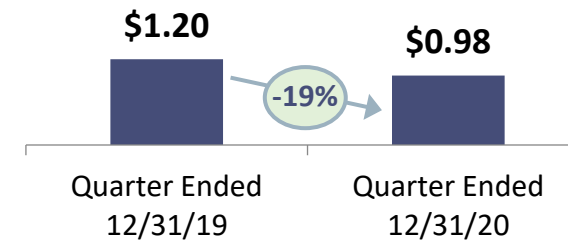
## Total Operating Expenses (\$M)



## Sales & Marketing Expenses (\$M)



## General & Administrative Expenses (\$M)

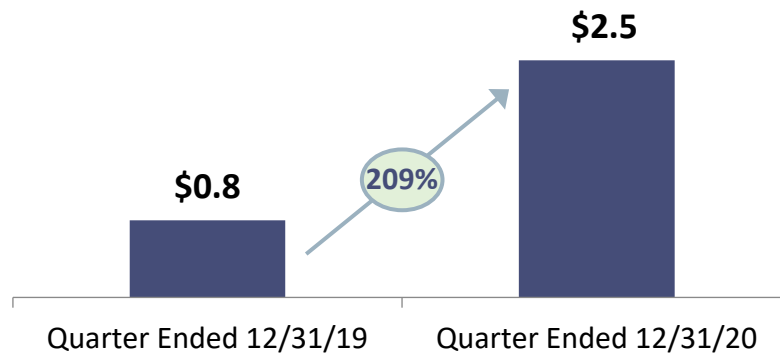




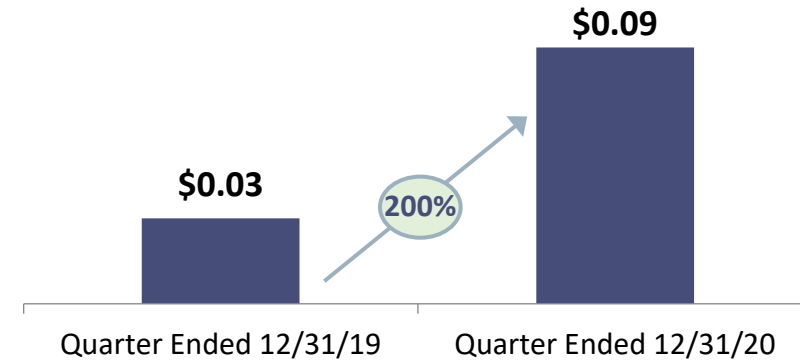


# Net Income & Earnings Per Share Q2 FY2021 & Fiscal Year to Date

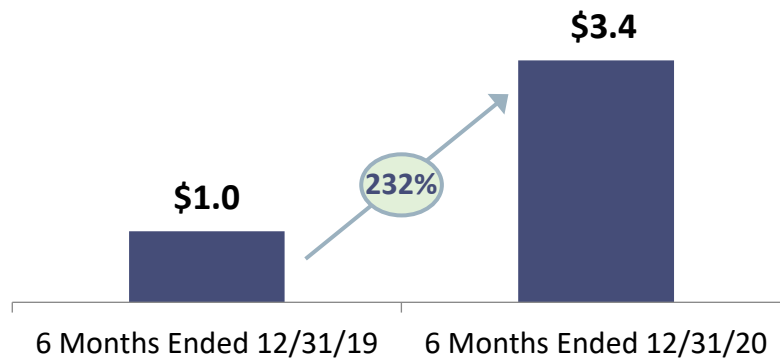
Net Income (\$M)



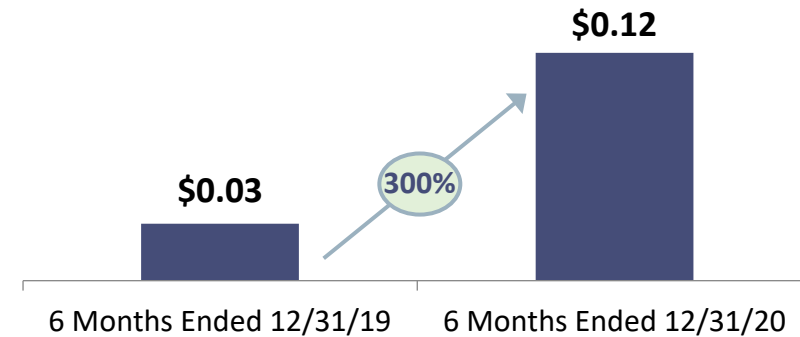
Net Income Per Diluted Share



Net Income (\$M)



Net Income Per Diluted Share





# Balance Sheet Summary

(millions, except per share)



	6/30/20	12/31/20
Total Cash <sup>1</sup>	\$14.6	\$16.9
Inventory	\$30.6	\$28.7
Total Assets	\$48.9	\$51.5
Credit Facility	\$0.0	\$0.0
Total Liabilities <sup>2</sup>	\$7.5	\$6.4
Shareholders' Equity	\$41.4	\$45.1
Shares Outstanding	29.0	29.1
Book Value Per Share	\$1.42	\$1.54



Patent: [www.charlesandcolvard.com/patents](http://www.charlesandcolvard.com/patents)

<sup>1</sup> Cash, cash equivalents and restricted cash

<sup>2</sup> As of 12/31/20, Total Liabilities included \$965,000 in PPP Loan and \$528,000 in operating lease liabilities  
As of 6/30/20, Total Liabilities included \$965,000 in PPP Loan and \$622,000 in operating lease liabilities

# FY 2021 Key Drivers





## Key Drivers

Business Intelligence

Growing Online Channels

Inventory Management

Diversified Product Brands

Correct Product Mix

Strategic Marketing  
Campaigns



# Caydia™ Lab Grown Diamond Launch



Brand Equity Matters

Need to Expand Assortment



Product Selection is Critical

Increased Forever One™ Awareness

BRIDES



Forbes



## Key Drivers

Business Intelligence

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Strategic Marketing  
Campaigns



# FY 2021 Strategic Initiatives



Digital Commerce Opportunities

Expand Product Brands



Increase Customer Engagement

Focus on Disciplined Growth Opportunities





# Q&A