



Nasdaq: CTHR

Lytham Partners Fall 2021 Investor Conference

October 05 - 07, 2021

Don O'Connell,
President and CEO

*"We believe fine jewelry can
be accessible, beautiful and
conscientious."*



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,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “continue,” and similar words, although some forward-looking statements are expressed differently.

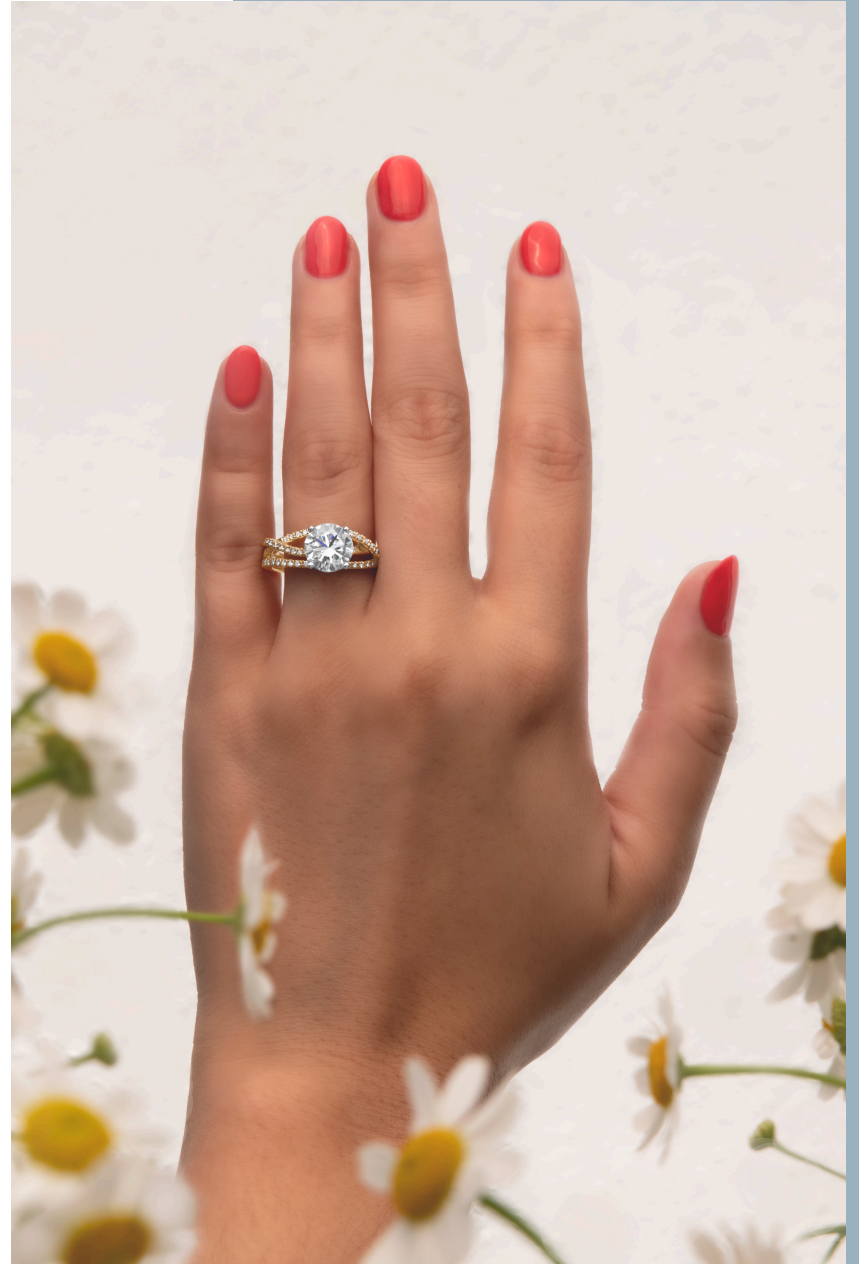
All forward-looking statements are subject to the risks and uncertainties inherent in predicting the future. You should be aware that although the forward-looking statements included herein represent management’s current judgment and expectations, our actual results may differ materially from those projected, 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) our business and our results of operations could be materially adversely affected as a result of general and economic conditions; (4) we face intense competition in the worldwide gemstone and jewelry industry; (5) 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; (6) we are subject to certain risks due to our international operations, distribution channels and vendors; (7) 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; (8) we are currently dependent on a limited number of distributor and retail partners in our Traditional segment for the sale of our products; (9) we may experience quality control challenges from time to time that can result in lost revenue and harm to our brands and reputation; (10) seasonality of our business may adversely affect our net sales and operating income; (11) our operations could be disrupted by natural disasters; (12) sales of moissanite and lab grown diamond jewelry could be dependent upon the pricing of precious metals, which is beyond our control; (13) our current customers may potentially perceive us as a competitor in the finished jewelry business; (14) we depend on an exclusive supply agreement, or the Supply Agreement, with Cree, Inc., or Cree, 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; (15) 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; (16) governmental regulation and oversight might adversely impact our operations; (17) the execution of our business plans could significantly impact our liquidity; (18) 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; (19) negative or inaccurate information on social media could adversely impact our brand and reputation; (20) 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; (21) 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; (22) if we fail to evaluate, implement, and integrate strategic acquisition or disposition opportunities successfully, our business may suffer; (23) our loan, pursuant to the Paycheck Protection Program, or the PPP Loan, under the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, as administered by the U.S. Small Business Administration, or the SBA, was forgiven in full and may be subject to review for compliance with applicable SBA requirements for six years from the date the loan was forgiven; (24) some anti-takeover provisions of our charter documents may delay or prevent a takeover of our company; and (25) our failure to maintain compliance with The Nasdaq Stock Market’s continued listing requirements could result in the delisting of our common stock, in addition to the other risks and uncertainties described in more detail 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, 2021 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 Securities and Exchange Commission, or SEC, that discuss other factors relevant to our business.

Worldwide fashion jewelry market to reach \$300 billion by 2025¹

- Publicly traded on Nasdaq: CTHR
- Established in 1995 as the original creator of moissanite
- Today, a fine jewelry company specializing in lab created gemstones
- Currently trading at \$2.90 to \$3.05 range over past five days as of September 27, 2021
- Over last twelve months, stock price has increased over 240%
- Current market cap as of September 27, 2021 is approximately \$90 million

Q4 FY 2021 Summary*

- Increased net sales by 120% to \$9.7 million with an 86% increase in Online Channels segment along with an increase of 189% in Traditional segment
- Gross Margin of 45%
- Finished jewelry net sales increased 86%, representing 57% of total net sales
- Income from operations of \$1.1 million
- Recognized a \$974,000 gain on extinguishment of debt due to PPP loan forgiveness and income tax benefit of \$6.3 million from the reduction of the valuation allowance against deferred tax assets
- Net income of \$8.4 million or \$0.27 earnings per diluted share
- Generated \$1.8 million in cash flow from operations



* Comparisons to Q4 FY 2020 unless otherwise noted



Fiscal Year Ended June 30, 2021 Summary*

- Increased net sales by 34% to \$39.2 million with a 40% increase in Online Channels segment and an increase of 28% in the Traditional segment
- Gross Margin of 47%
- Finished jewelry net sales increased 45%, representing 59% of total net sales
- Income from operations of \$5.5 million versus loss from operations of \$6.3 million
- Recognized a \$974,000 gain on extinguishment of debt due to PPP loan forgiveness and income tax benefit of \$6.3 million from the reduction of the valuation allowance against deferred tax assets
- Net income of \$12.8 million or \$0.42 earnings per diluted share, from the prior year's net loss of \$6.2 million or \$0.22 loss per diluted share
- \$21.4 million in total cash
- Generated \$6.5 million in cash flow from operations
- Working Capital of \$30.1 million which increased by \$12.7 million for a 73% increase

* Comparisons to FY 2020 unless otherwise noted

FOREVER ONE™ MOISSANITE



Decades in the making, Forever One is the most premium moissanite exclusively created, cut and faceted by Charles & Colvard.

Grown using a patented process, the quality of Charles & Colvard is superior to that of other moissanite brands.

- **MOISSANITE BUSINESS GROWTH** - 86% over the year ago quarter; 35% year over year for FY 2021
- Moissanite is The World's Most Brilliant Gem®
- Rare, naturally occurring mineral (Silicon Carbide)
- Charles & Colvard moissanite is grown in high-tech laboratories in Research Triangle Park, NC
- Forever One is the premium brand - highest quality and value in the market
- Forever One available in DEF and GHI color grades with a clarity grade IF- VVS1 along with excellent cut, polish and symmetry
- Forever One loose gems available in 28 cuts and a multitude of shapes and sizes
- Set in bridal and fine jewelry - 14K and 18K gold as well as platinum; mostly recycled
- What is Moissanite? video: [Watch Video](#)

CAYDIA® LAB GROWN DIAMONDS



Caydia® is a specially curated assortment of premium lab grown diamonds *exclusively* available from Charles & Colvard.

Caydia® marries the romance of ancient Greek mythology with contemporary innovation. The Greek name "Cay" means pure and when combined with "dia" from diamond, you get the perfect representation of timeless beauty.

- Estimated \$5.2 billion in the lab grown diamond space¹; fastest growing segment in the industry
- Launched September 2020 - Now included in the conversation
- Available in E, F and G color grades with a minimum clarity of VS1 along with excellent polish and symmetry
- Lab grown diamonds set in bridal and fine jewelry using mostly recycled 14K gold, 18K gold and platinum
- Range in weight from 0.50 carats to 2.00 carats
- Third party certification
- The Truth Behind Lab Grown Diamonds video: [Watch Video](#)

Forever One™ Moissanite vs. Caydia® Lab Grown Diamonds

Forever One™ Moissanite

Caydia® Lab Grown Diamond



*Retail assumptions based on Forever One DEF color, VVS+ clarity

*Retail assumptions based on an average F color, VS1 clarity



Patent: www.charlesandcolvard.com/patents

Signature Collection, *Patented Design*

Each element of the floret is representative of our mission, and our approach to jewelry design.

See Signature Video: [Watch Video](#)



Star

There's a flash of brilliance at the heart of every Signature Collection setting, putting our gems' unbeatable sparkle and luster at the center of each design.



Petals

Four petal-shaped elements represent our commitment to sustainable practices, which is woven into everything we do and every piece of jewelry we create at Charles & Colvard.



Cut

Our Forever One and Caydia gems are cut and polished to perfection to deliver superior sparkle.



Color

All of our gems fall within the colorless and near-colorless ranges. Specifically, Forever One is available in either D-E-F or G-H-I color ranges. Our Caydia lab grown diamonds are available in E, F or G color grades.



Clarity

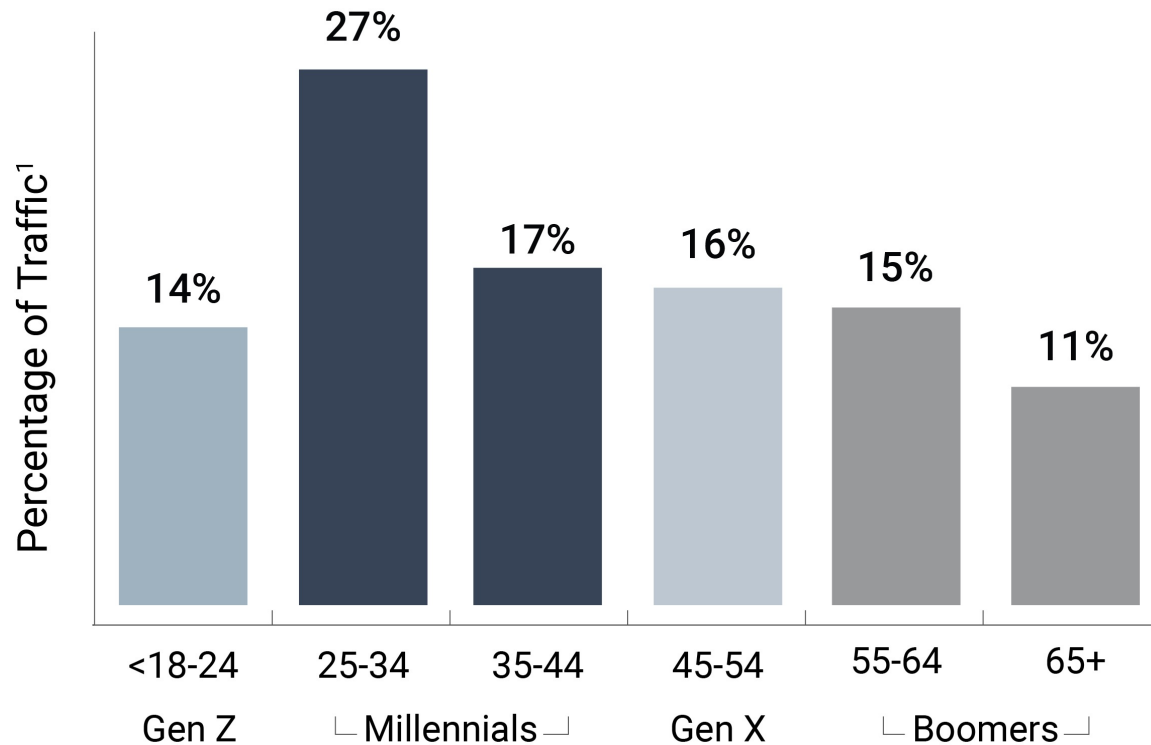
The clarity of Forever One is unmatched, falling within a clarity range equivalent to VS1 to internally flawless. Similarly, our Caydia lab diamonds have a minimum clarity grade of VS1.



Conscience

Both of our gems are grown in a lab—and that's a good thing. We don't mine, destroy ecosystems, pollute land or engage in violent trade practices. This is jewelry you can feel good about wearing.

Customer Demographics



1 in 4

Millennials buy their engagement ring online²

¹ Google Analytics Percentage of Traffic by Age on charlesandcolvard.com for July 1, 2020 to June 30, 2021

² How to Buy an Engagement Ring Like a Millennial (December 2019)

Sales and Distribution Channels



Online Channels Segment

- Transactional websites: charlesandcolvard.com & moissaniteoutlet.com
- Marketplaces
- Dropship retail
- Other pure play outlets

Traditional Segment

- Wholesale
- Brick & Mortar Customers

Distribution & Order Fulfillment

- Solid infrastructure and best-in-breed technology in place
- Lean, centralized hub

Marketing

- Paid
- Shared
- Earned
- Owned

BALANCE SHEET SUMMARY

(millions, except per share)



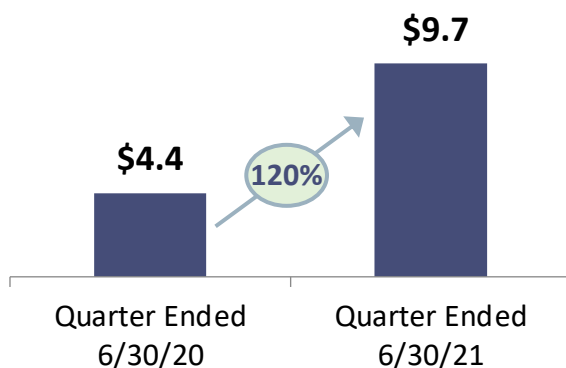
	6/30/21	6/30/20
Total Cash¹	\$21.4	\$14.6
Inventory	\$29.2	\$30.6
Total Assets	\$64.9	\$48.9
Debt	\$0.0	\$1.0
Total Liabilities²	\$9.2	\$7.5
Shareholders' Equity	\$55.7	\$41.4
Shares Outstanding	29.9	28.9
Book Value Per Share	\$1.85	\$1.42

¹ Cash, cash equivalents and restricted cash

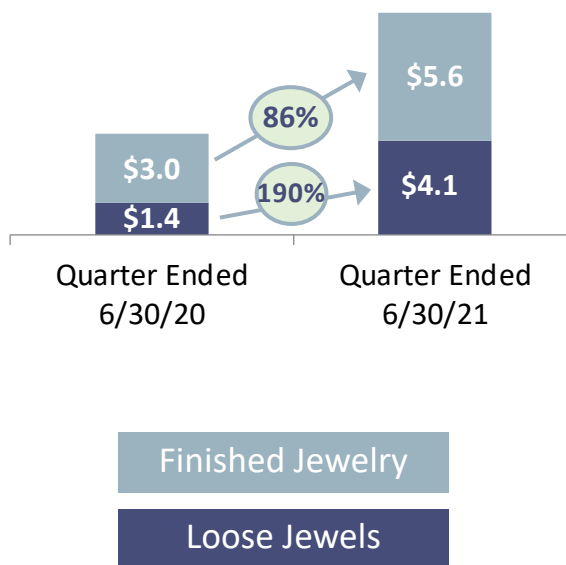
² As of 6/30/20, Total Liabilities included \$965,000 in PPP Loan and \$622,000 in operating lease liabilities. As of 6/30/21, Total Liabilities included \$0 in PPP Loan and \$4.2 million in operating lease liabilities; lease liabilities increased by \$4.4 million in Q3 2021 related to extension of corporate headquarters lease for additional five years.

Q4 FY 2021 Net Sales

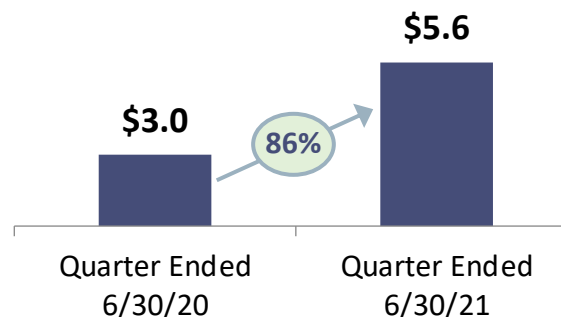
Net Sales (\$M)



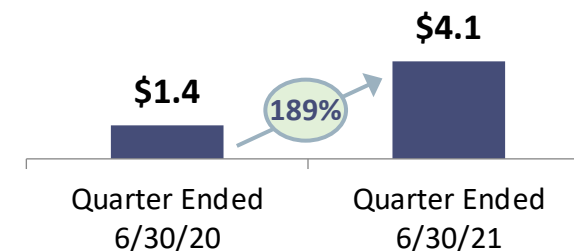
Loose Jewel & Finished Jewelry Net Sales (\$M)



Net Sales from Online Channels Segment (\$M)

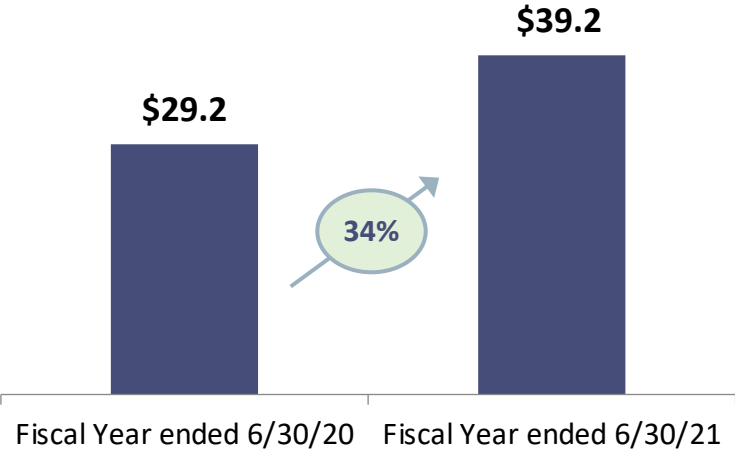


Net Sales from Traditional Segment (\$M)

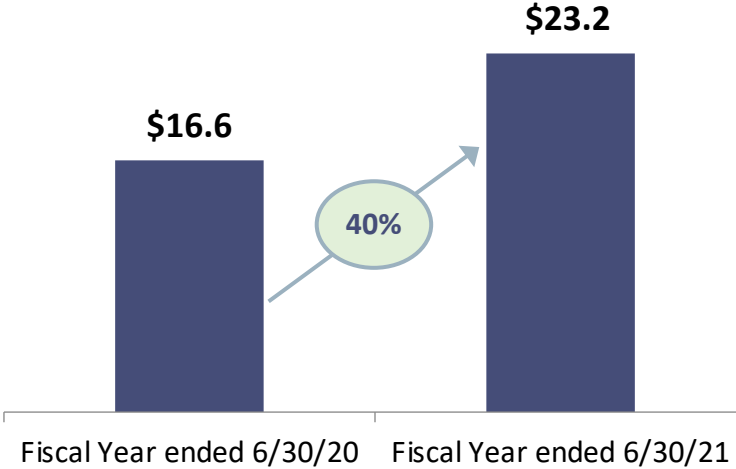


FY 2021 Net Sales Summary

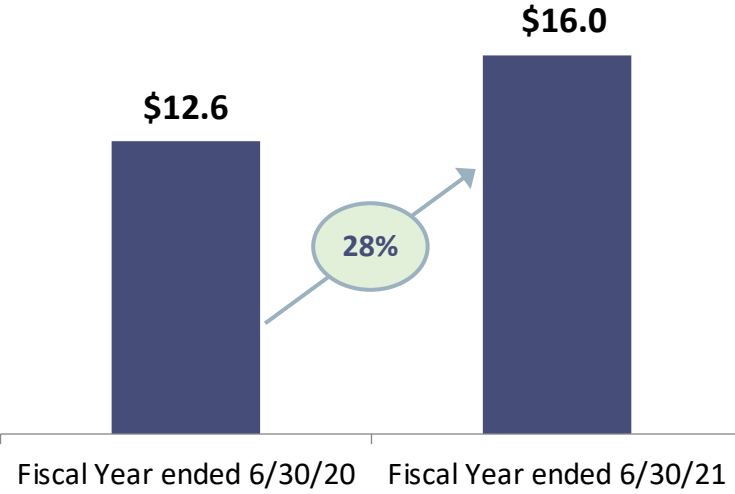
Net Sales (\$M)



Net Sales from Online Channels Segment (\$M)

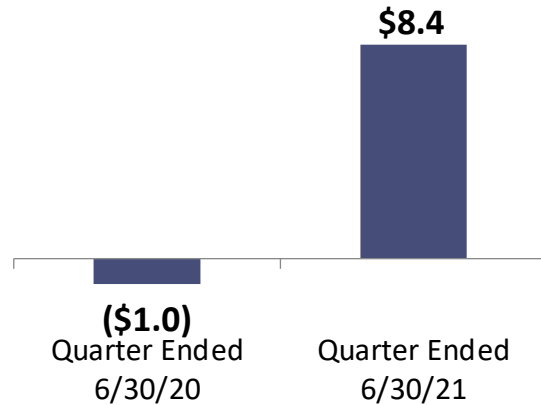


Net Sales from Traditional Segment (\$M)

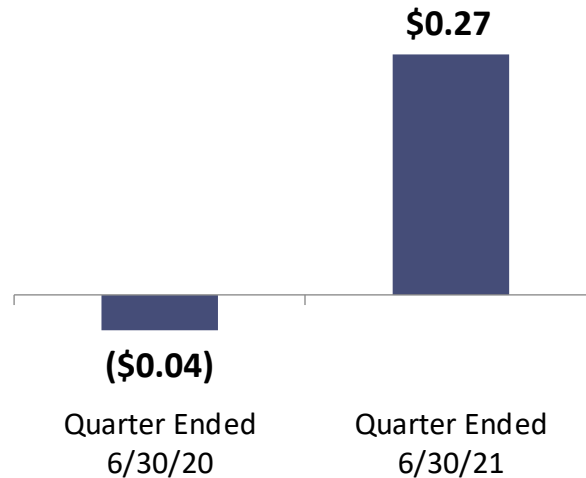


Net (Loss) Income & (Loss) Earnings Per Share Q4 FY 2021 & Fiscal Year Ended June 30, 2021

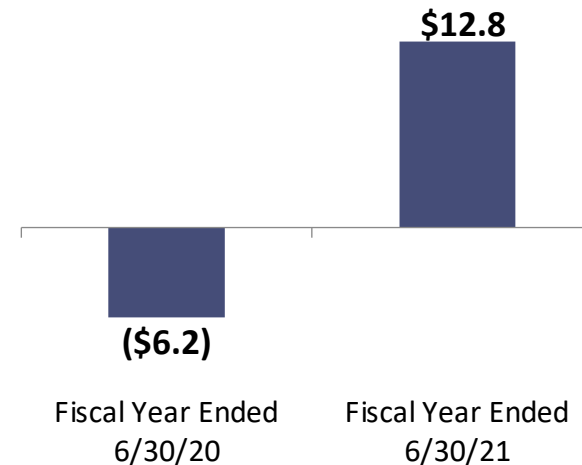
Net (Loss)
Income (\$M)



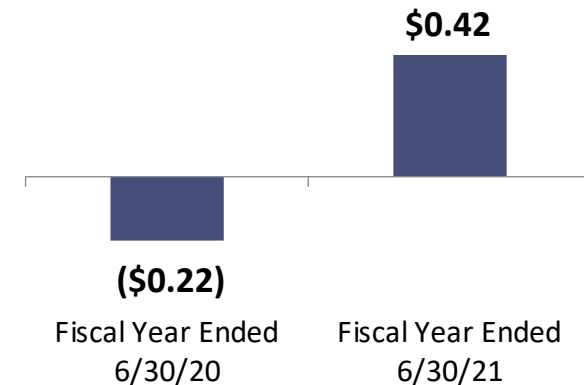
Net (Loss) Earnings
Per Diluted Share



Net (Loss) Income
(\$M)

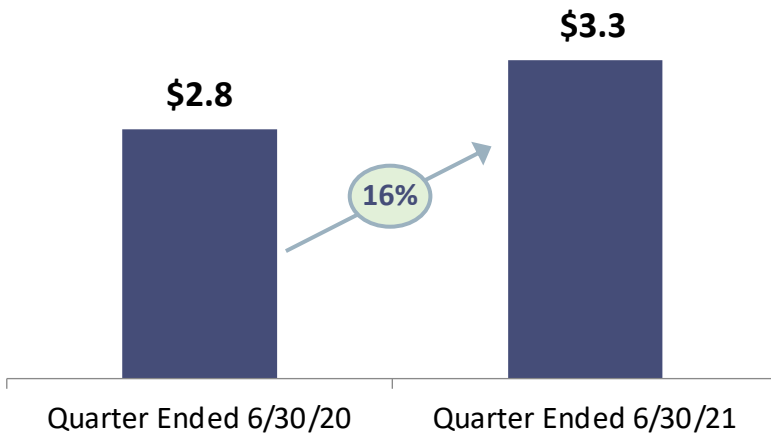


Net (Loss) Earnings
Per Diluted Share

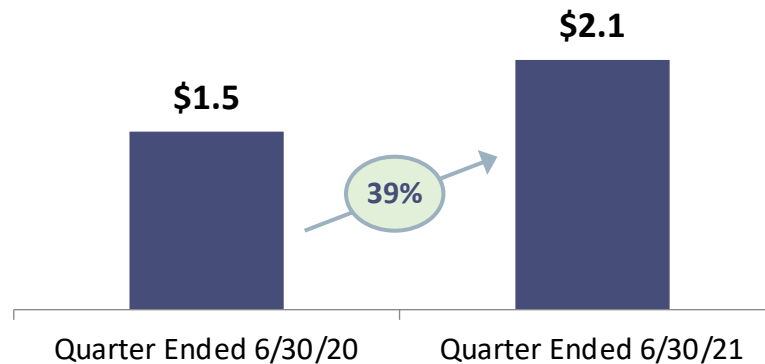


Q4 FY 2021 Operating Expenses

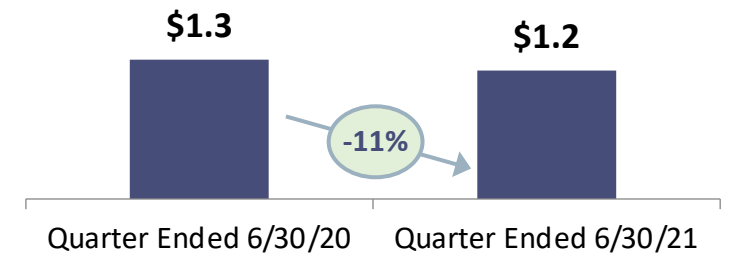
Total Operating Expenses (\$M)



Sales & Marketing Expenses (\$M)

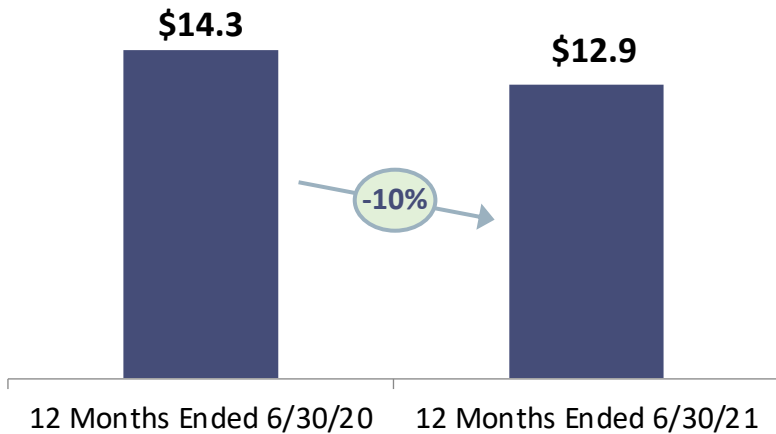


General & Administrative Expenses (\$M)

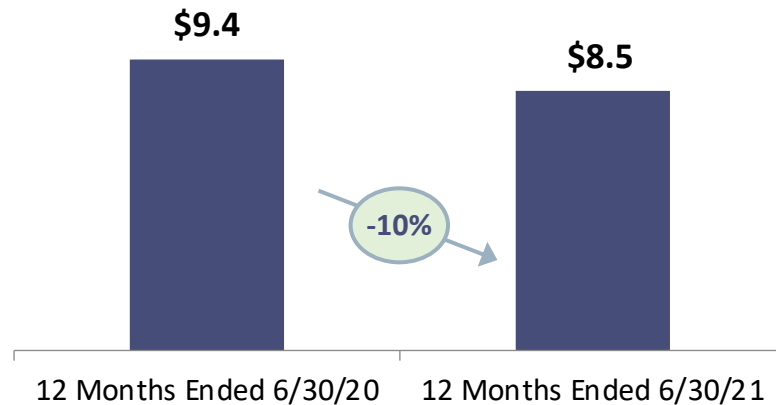


FY 2021 Operating Expenses

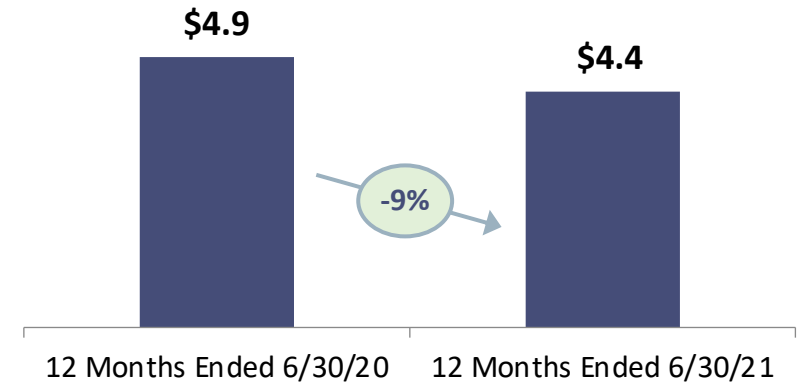
Total Operating Expenses (\$M)



Sales & Marketing Expenses (\$M)



General & Administrative Expenses (\$M)



FY 2022 STRATEGIC INITIATIVES



Expand Brand Presence
and Awareness



Diversify Product Offerings



Enhance Customer Engagement



Focus on Topline and
Disciplined Growth

A woman in a maroon dress is riding a bicycle. The front basket is filled with a bouquet of flowers, including large orange and pink roses, white peonies, and smaller white and pink flowers. The background is a soft-focus outdoor setting with greenery and a path.

Charles & Colvard, Ltd. (Nasdaq: CTHR) believes fine jewelry can be accessible, beautiful and conscientious. Charles & Colvard is the original pioneer of lab-created moissanite, a rare gemstone formed from silicon carbide. The Company brings revolutionary gemstones and jewelry to market through its pinnacle Forever One™ moissanite brand and its premium Caydia® lab grown diamond brand. Consumers seek Charles & Colvard fashion, bridal and fine jewelry because of its exceptional quality, incredible value and shared beliefs in environmental and social responsibility. Charles & Colvard was founded in 1995 and is based in North Carolina's Research Triangle Park.

CHARLES & COLVARD®

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