

Nasdaq: CTHR



CHARLES & COLVARD®

*Q2 Fiscal 2020 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, our dependence on increased consumer acceptance, growth of sales of our products, and operational execution of our strategic initiatives; the impact of the execution of our business plans on our liquidity; intense competition in the worldwide jewelry industry; the financial difficulties or insolvency of one or more of our major customers and their willingness and ability to market our products; certain risks due to our international operations, distribution channels and vendors; general economic and market conditions, including the current economic environment; dependence on a limited number of distributor and retail partners in our Traditional segment; our ability to fulfill orders on a timely basis; dependence on our exclusive supply agreement with Cree, Inc. for the supply of our silicon carbide crystals for the foreseeable future; inaccuracies in assumptions, estimates and data we use to calculate certain of our key operating metrics; our ability to maintain compliance with The Nasdaq Stock Market’s continued listing requirements; quality control challenges from time to time that can result in lost revenue and harm to our brands and reputation; the potential impact of seasonality on our business; the impact of natural disasters and other events beyond our control on our operations; the pricing of precious metals, which is beyond our control; our current customers’ potential perception of us as a competitor in the finished jewelry business; the impact of significant changes in e-commerce opportunities, technology, or models; the risk of a failure of our information technology infrastructure or a failure to protect confidential information against security breaches; our ability to protect our intellectual property; the potential adverse impact of negative or inaccurate information on social media; the failure to evaluate, implement, and integrate strategic opportunities; possible adverse effects of governmental regulation and oversight; and the impact of anti-takeover provisions included in our charter documents, in addition to the other risks and uncertainties described in our filings with the Securities and Exchange Commission, or the SEC, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2019 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

- Financial Summary
- Strategic and Operating Highlights
- FY2020 Strategic Initiatives
- Q&A



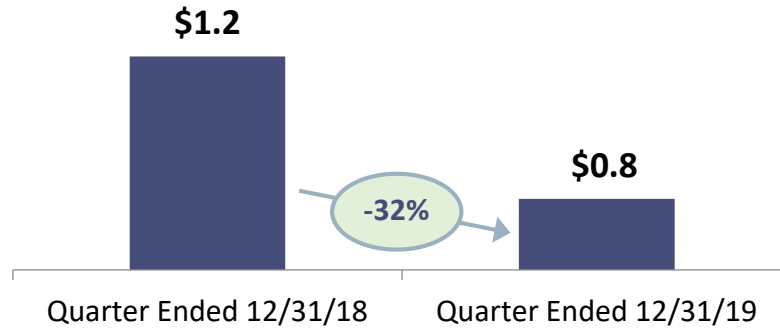
A close-up photograph of a woman with dark hair, wearing a diamond stud earring and a ring, smelling a bouquet of pink roses. She is wearing a light-colored, patterned top. The background is softly blurred, showing more flowers in shades of pink and red.

Financial Summary

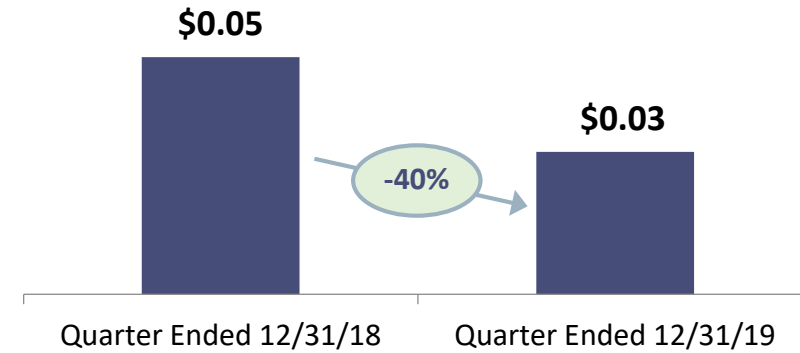


Net Income & Earnings Per Share Q2 FY2020 & Fiscal Year to Date

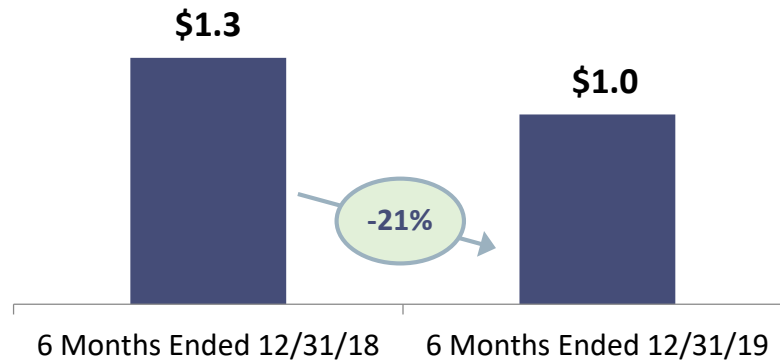
Net Income (\$mm)



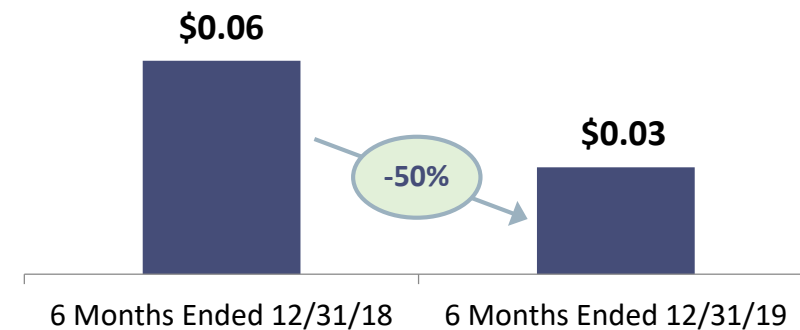
Net Income Per Diluted Share



Net Income (\$mm)



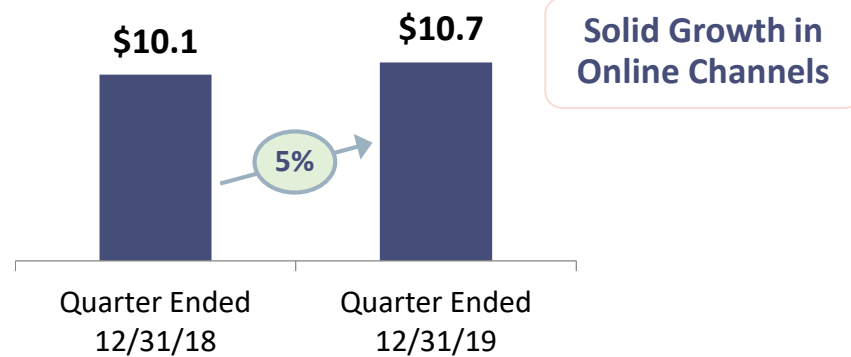
Net Income Per Diluted Share



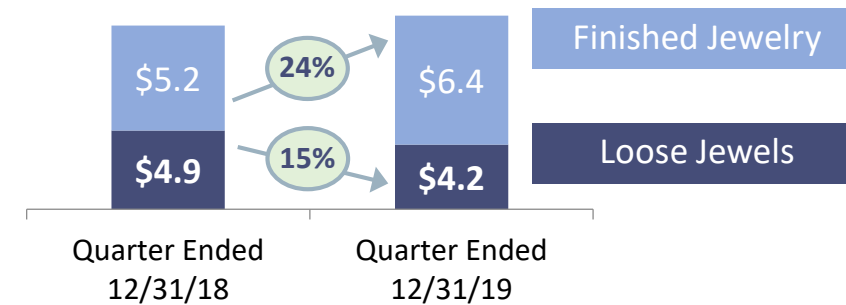


Net Sales – Q2 FY2020

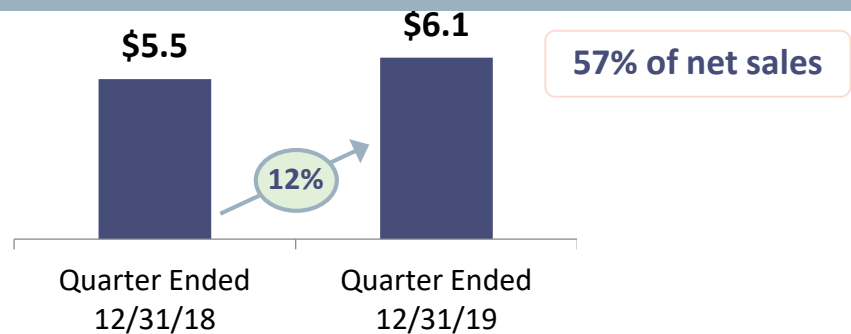
Net Sales (\$mm)



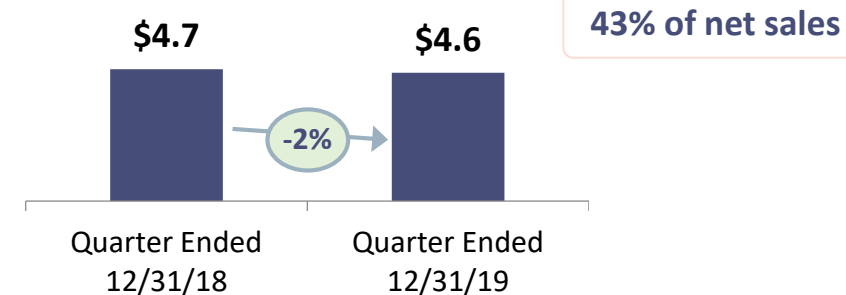
Loose Jewel & Finished Jewelry Net Sales (\$mm)



Net Sales from Online Channels Segment (\$mm)

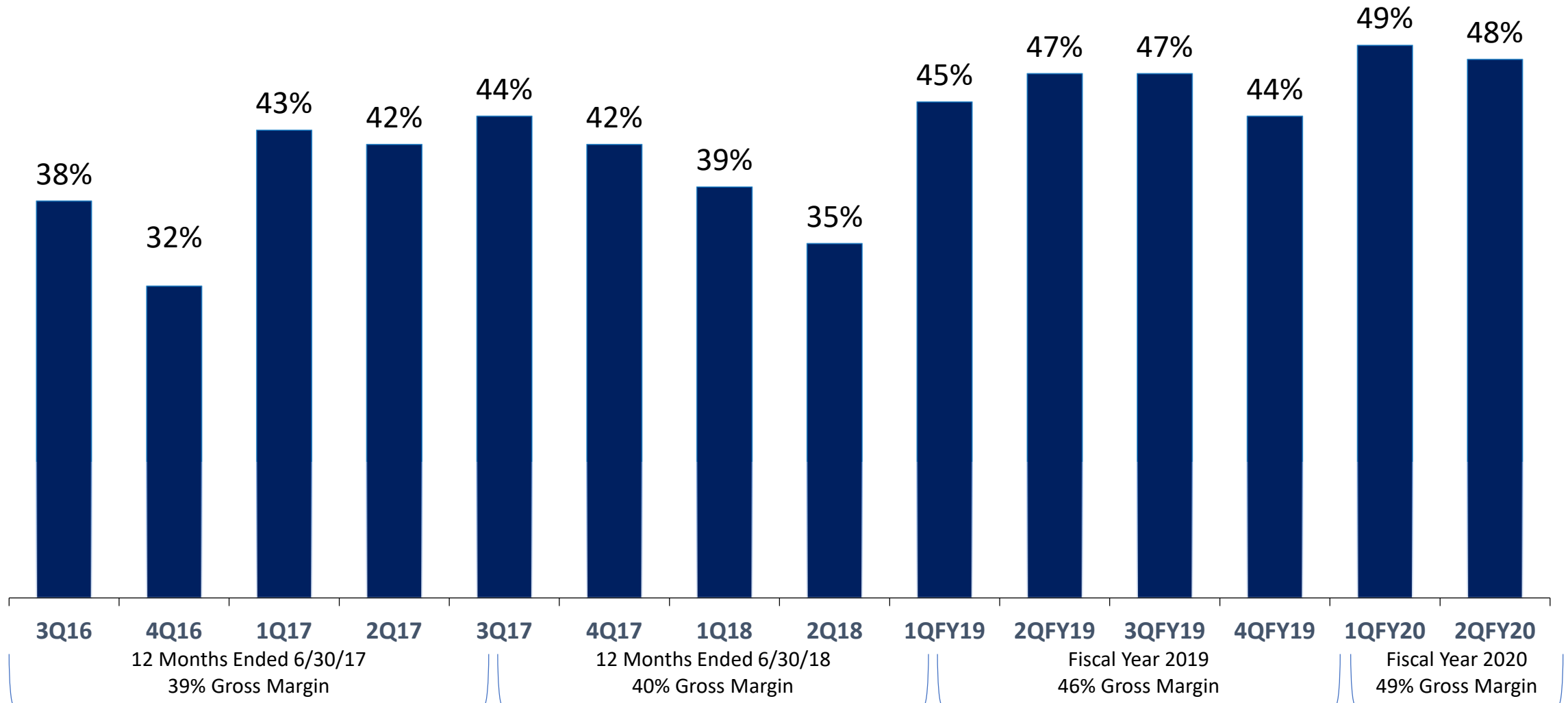


Net Sales from Traditional Segment (\$mm)





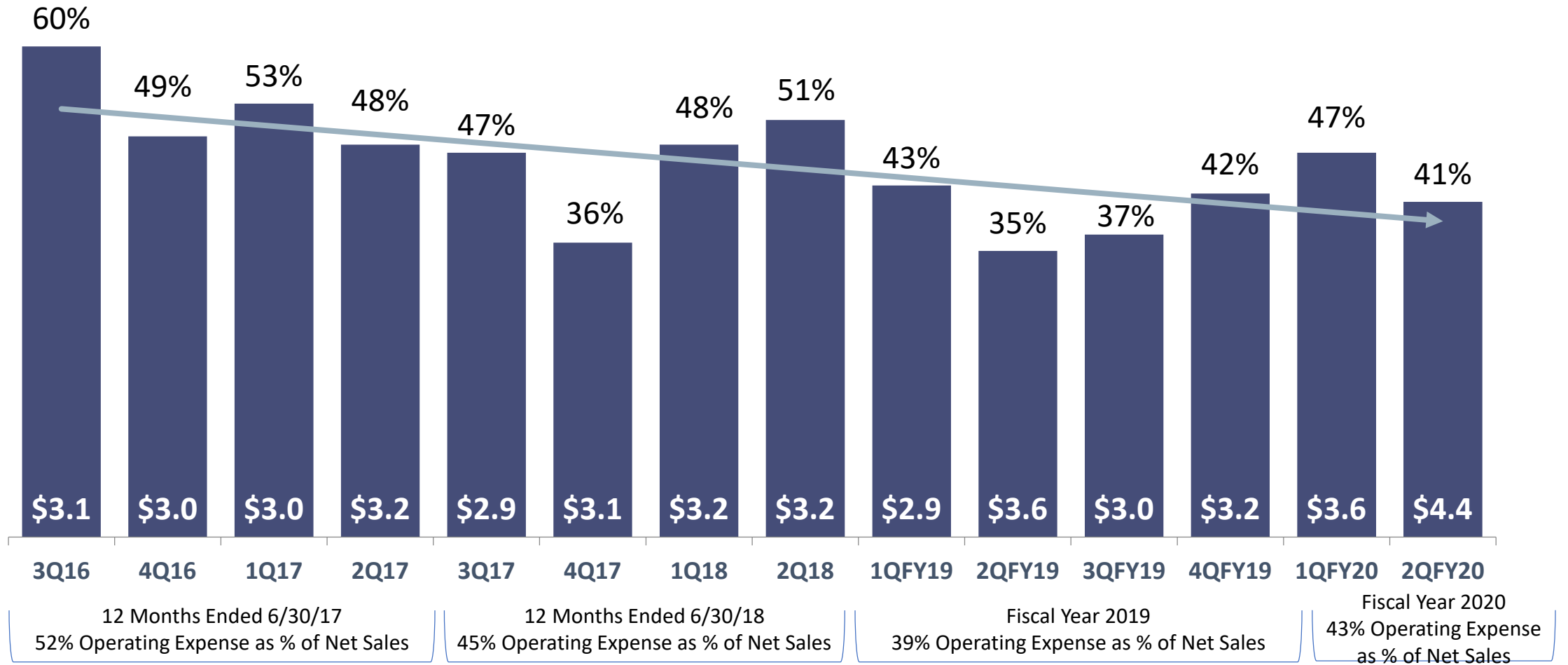
Gross Margin





Rationalized & Scalable Expense Structure (\$mm)

Total Operating Expense as % of Net Sales





Balance Sheet Summary Snapshot

(millions, except per share)



	6/30/19	12/31/19
Total Cash ¹	\$13.0	\$13.3
Inventory	\$33.7	\$35.8
Total Assets	\$51.1	\$56.0 ²
Total Debt	\$0.0	\$0.0
Total Liabilities	\$4.9	\$7.5 ²
Shareholders' Equity	\$46.2	\$48.5
Shares Outstanding	28.0	28.9
Book Value Per Share	\$1.67	\$1.65



¹ Cash, cash equivalents and restricted cash

² The Company adopted the new lease accounting guidance on 7/1/19, as required, which resulted in increases in total assets of \$0.9MM and total liabilities of \$1.2MM as of 9/30/19.



Inventory Summary

Standard Inventory Classification

\$mm	12/31/16	%	12/31/17	%	6/30/18	%	12/31/18	%	6/30/19	%	9/30/19	%	12/31/19	%
Short Term	\$9.7	35%	\$11.2	36%	\$11.0	35%	\$11.3	34%	\$11.9	35%	\$11.8	33%	\$10.7	30%
Long Term	\$18.4	65%	\$19.8	64%	\$20.8	65%	\$21.5	66%	\$21.8	65%	\$24.2	67%	\$25.1	70%
Total	\$28.1	100%	\$31.0	100%	\$31.8	100%	\$32.8	100%	\$33.7	100%	\$36.0	100%	\$35.8	100%

Inventory Detail by Product Category

Category	12/31/16	12/31/17	6/30/18	12/31/18	6/30/19	9/30/19	12/31/19
New Inventory ¹	49%	64%	70%	74%	79%	81%	82%
Legacy Inventory ²	51%	36%	30%	26%	21%	19%	18%
Total	100%	100%	100%	100%	100%	100%	100%

Strategic and Operating Highlights







Q2 FY2020 Online Channels Highlights*

- Online Channels net sales grew 12% from enhanced jewelry assortment and increased in-stock rates
- Online Channels represented 57% of total sales fueling strong gross margin of 48%
- Heightened awareness and interest in lab-created gemstones seen across channels
- charlesandcolvard.com net sales expanded 12% driven by increased website traffic
- Mobile shopping traffic, transactions and revenue increased significantly
- Cross-border trade sales increased 19% primarily from Canada, U.K and Australia



Broader Outreach through Online Channel Partners

overstock. Search  

Furniture Rugs Decor Bed & Bath Home Improvement Kitchen Outdoor Jewelry Apparel Kids & Baby More Gifts

Black Friday Exclusive Coupon: 30% Off All Safavieh Rugs With Code: RUGS30 >

Jewelry & Watches

Jewelry & Watches Store

Featured Categories




- Rings
 - Wedding Rings
 - Engagement Rings
 - Moissanite Rings
 - Men's Rings
 - Cubic Zirconia Rings
- Men's Watches
- Women's Watches
- Earrings
 - Diamond Earrings
- Necklaces
 - Gold Chains & Necklaces
- Bracelets
- Diamond Jewelry
- Gemstone Jewelry
- Pearl Jewelry



extra 20% off
Select Jewelry by Charles & Colvard*
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Open Until 9 PM  Sign In
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SHOP BY DEPARTMENT Search or enter web ID  


FREE SHIPPING WITH \$25 PURCHASE Excludes furniture & mattresses. [Exclusions & Details](#)


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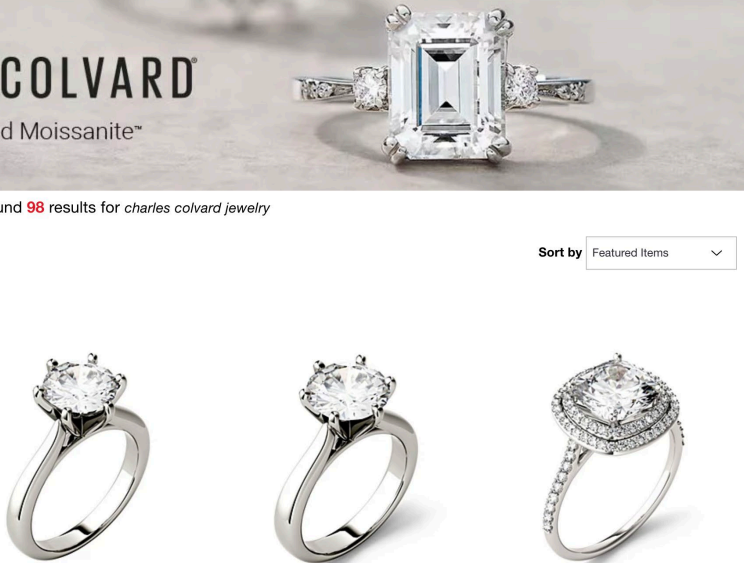
The Original Created Moissanite™

We found **98** results for *charles colvard jewelry*

Filter By

- Shipping and Pickup**
 - Same-Day Delivery to **27587** 
 - Free Pickup Today at [Macy's Triangle Town Center](#)
- Sales & Offers**
 - Special Offer (98)
- Category** +
- Color** +
- Customer Ratings** +

Sort by Featured Items 





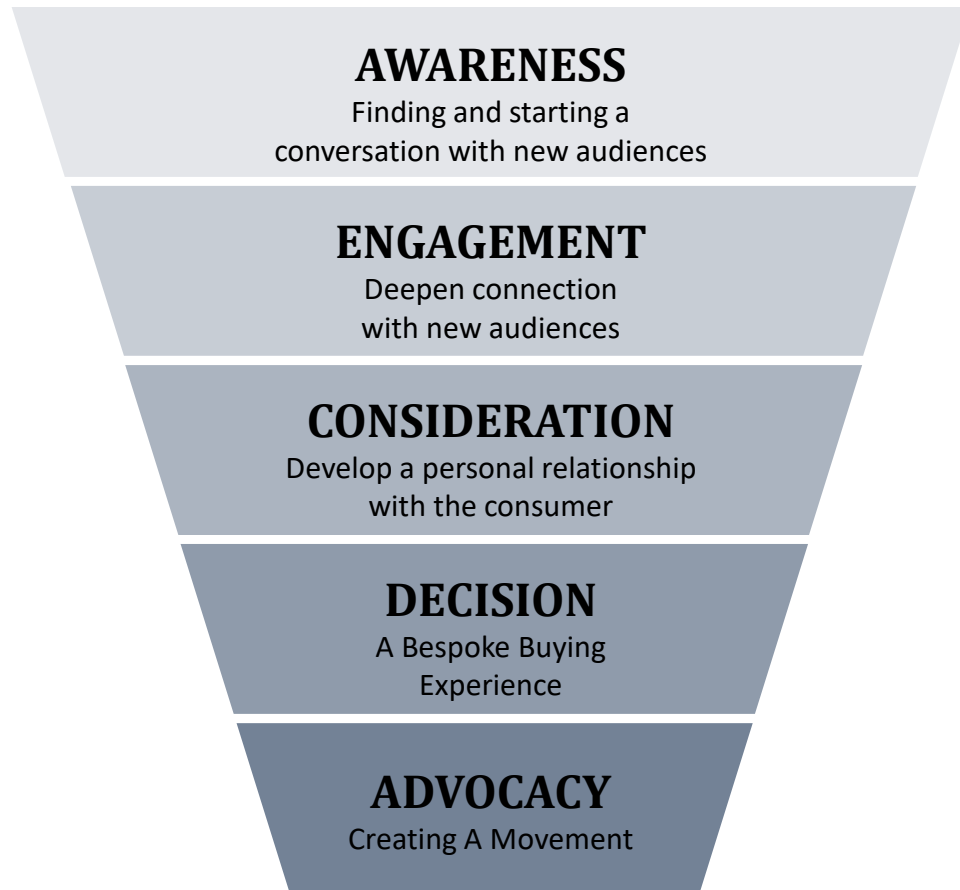
Expanded Product Assortment





Expansion of Brand Awareness & Digital Marketing Trends

Marketing Funnel



Google search results for "moissanite earrings".

Search results include:

- Consideration (Organic Search Results):**
 - Considering Buying Moissanite? | Get The Better Alternative.** (Paid Search Ad)
 - www.diamondnexus.com/
 - ★★★★★ Rating for diamondnexus.com: 4.8 - 273 reviews
 - Moissanite Earrings Are Not Your Best Option. Huge Selection. Lifetime Warranty! Heirloom Quality. Ethical & Eco Friendly. Financing Available. Free Shipping. Made in the USA.
 - Engagement Rings - from \$434.00 - Solitaire, Vintage & More - More
 - Get a Free Catalog: Highlights Our Most Popular Designs, Tons of Diamond Nexus information
 - \$2,500 Monthly Giveaway: Enter to win a \$2,500 shopping spree. A new winner every month!
 - Charles & Colvard Holiday Sale | Save Up To 20% On All Jewelry*** (Paid Search Ad)
 - www.charlesandcolvard.com/Moissanite/Jewelry
 - ★★★★★ Rating for charlesandcolvard.com: 4.8 - 150 reviews
 - Save Up To 20% On All Jewelry. Original Created Moissanite. Free Shipping On All Orders. Affirm Financing. Lifetime Warranty. Free Returns. Types: Solitaire Rings, Halo Rings, Loose Gems, Eternity Bands, Pendants.
 - Helzberg® Moissanite Earrings | \$250 Prepaid Gift Card** (Paid Search Ad)
 - www.helzberg.com/
 - Gifts That Give Gifts! Get a \$250 Prepaid Gift Card w/ \$999.99 Purchase. Use Code: GREEN.
 - MoissaniteCo™ | Moissanite Stud Earrings | MoissaniteCo.com** (Paid Search Ad)
 - www.moissaniteco.com/
 - Great Prices, Designer Quality. Engagement Rings Available. 100% Made in the USA.
 - Forever One Moissanite Earrings | Charles & Colvard** (Organic Search Results)
 - https://www.charlesandcolvard.com/fine-jewelry/earrings
 - Moissanite earrings in a range of styles, including classic moissanite stud earrings, drop earrings hoops and more. Forever One moissanite in colorless and near ...
- Shopping Ads (Google Shopping Ads):**
 - 2.00ctw DEW Round Forever... \$1,223.15 Charles & Colvard
 - Round Cut Stud Earrings, Scre... \$136.00 Diamond Nexus
 - Tiffany solitaire diamond... \$1,150.00 Tiffany & Co.
 - 2.00 Carat Total Classic 14k... \$314.00 Etsy
 - 3.00ctw DEW Round Forever... \$1,099.00 Charles & Colvard
 - 2.0 CT Round Screw back... \$56.00 Etsy
 - Lightbox Lab-Grown Diamon... \$180.00 Lightbox Jewelry
 - Round Moissanite... \$175.00 Brilliance.com
 - DovEggs 10K White Gold Po... \$99.00 Amazon.com

Paid Search Ads

Organic Search Results

Google Shopping Ads

Fiscal Year 2020 Strategic Initiatives

- 1. Expansion of Brand Awareness**
- 2. International Sales Reach**
- 3. Product Evolution**
- 4. Enhanced Customer Experience**
- 5. Corporate Social Responsibility**

Q&A



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