

Nasdaq: CTHR



CHARLES & COLVARD

*Q4 Fiscal 2019 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; our ability to fulfill orders on a timely basis; 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; dependence on a limited number of distributor and retail partners in our Traditional segment; dependence on our exclusive supply agreement with Cree, Inc., for the supply of our silicon carbide crystals for the foreseeable future; general economic and market conditions, including the current economic environment; risks of conducting business in foreign countries; 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
- Q4 and FY2019 Accomplishments
- Capital Raise & Growth Activities
- FY2020 Strategic Initiatives
- Q&A



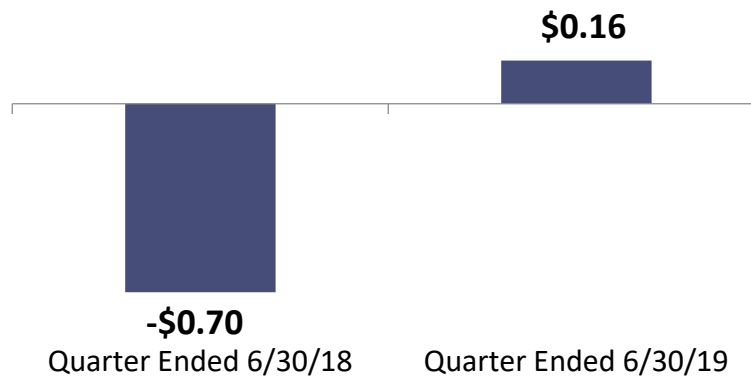
Financial Summary

Note: The fiscal year 2019 was the first full fiscal year since the Company shifted to a June 30 fiscal year end from a December 31 fiscal year end. Therefore, in this presentation, comparisons of the financial results from the Fiscal Year Ended June 30th, 2019 are made to June 30th, 2018 or June 30, 2017, which are unaudited recasted results for these two twelve-month periods.

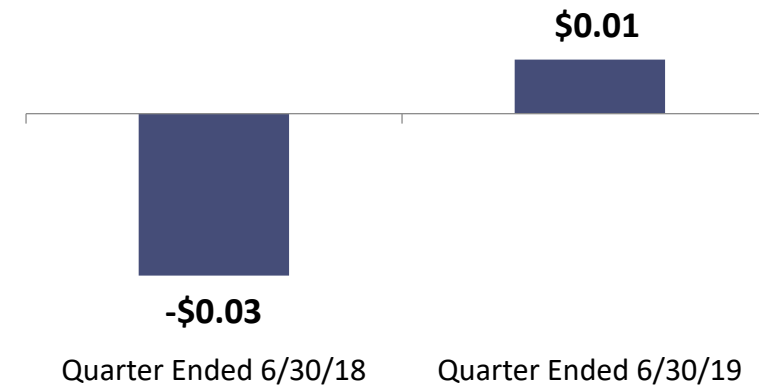


Net Income & Earnings Per Share Q4 FY2019 & Fiscal Year Ended June 30, 2019

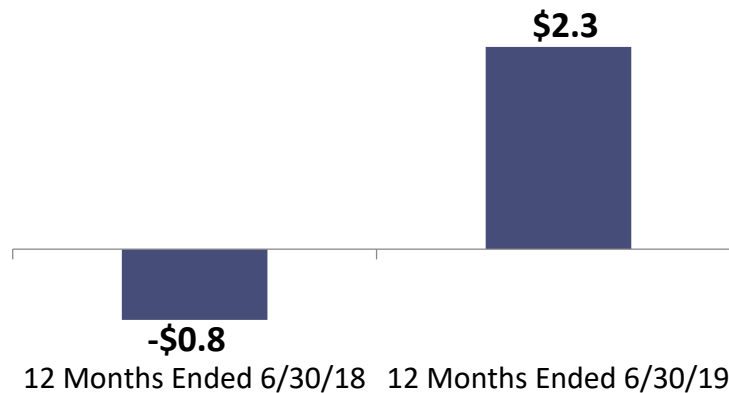
Net Income (\$mm)



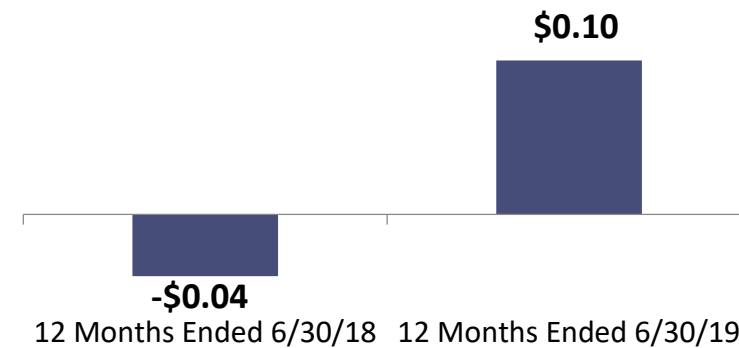
Net Income Per Diluted Share



Net Income (\$mm)



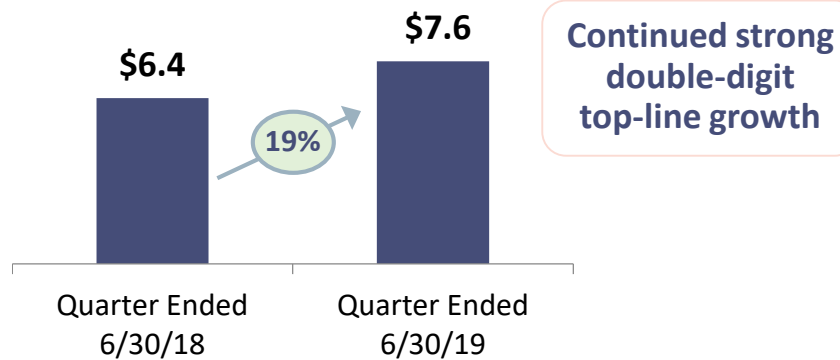
Net Income Per Diluted Share



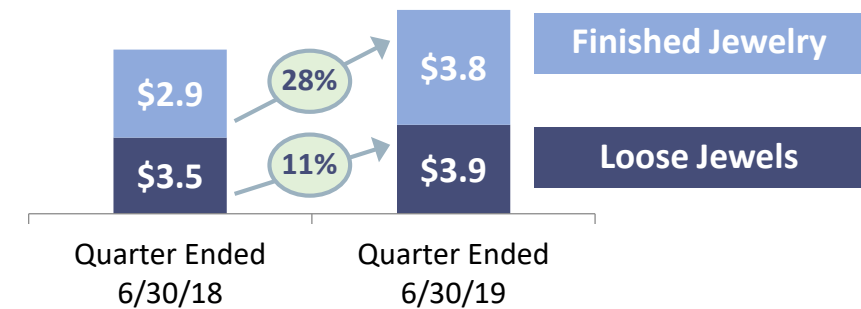


Net Sales – Q4 FY2019

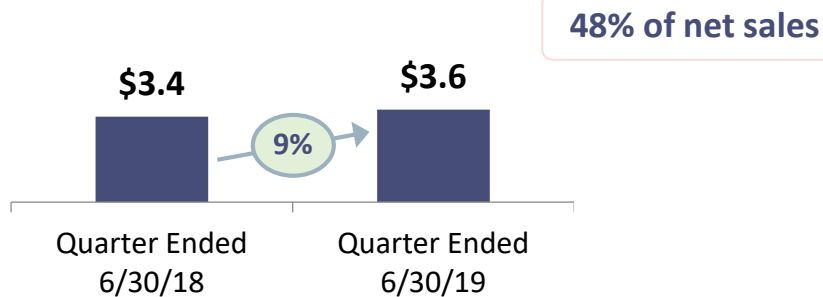
Net Sales (\$mm)



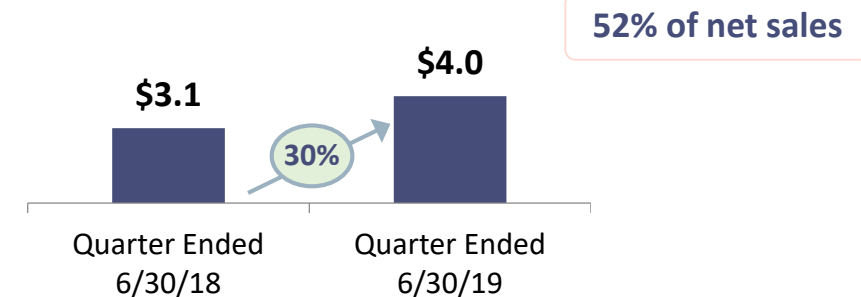
Loose Jewel & Finished Jewelry Net Sales (\$mm)



Net Sales from Online Channels Segment (\$mm)



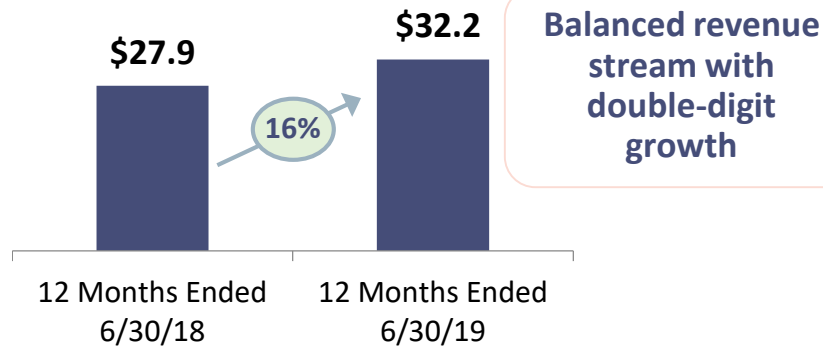
Net Sales from Traditional Segment (\$mm)



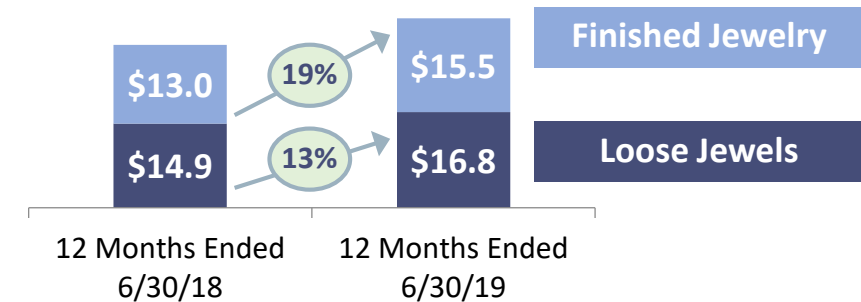


Net Sales – Fiscal Year Ended June 30, 2019

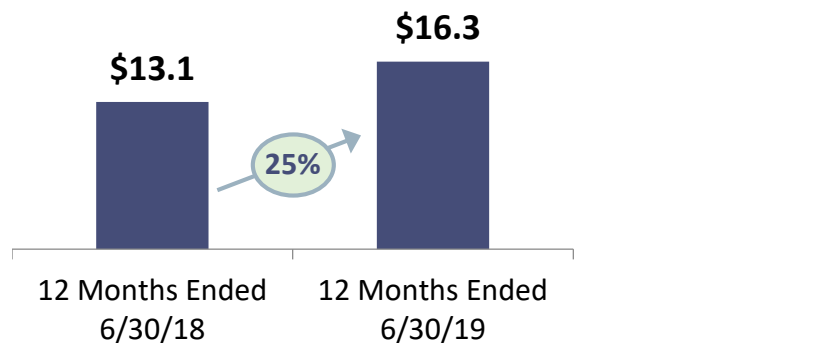
Net Sales (\$mm)



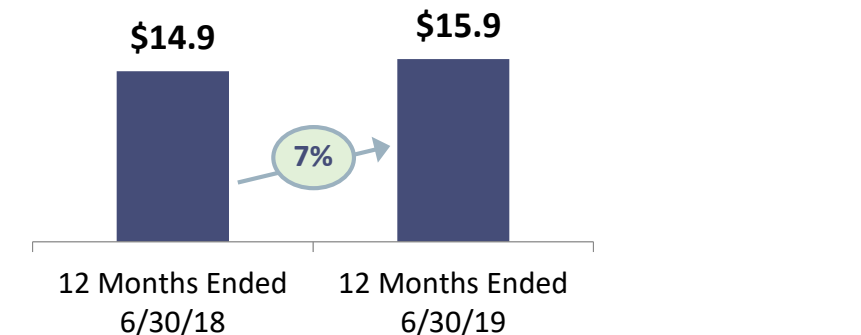
Loose Jewel & Finished Jewelry Net Sales (\$mm)



Net Sales from Online Channels Segment (\$mm)

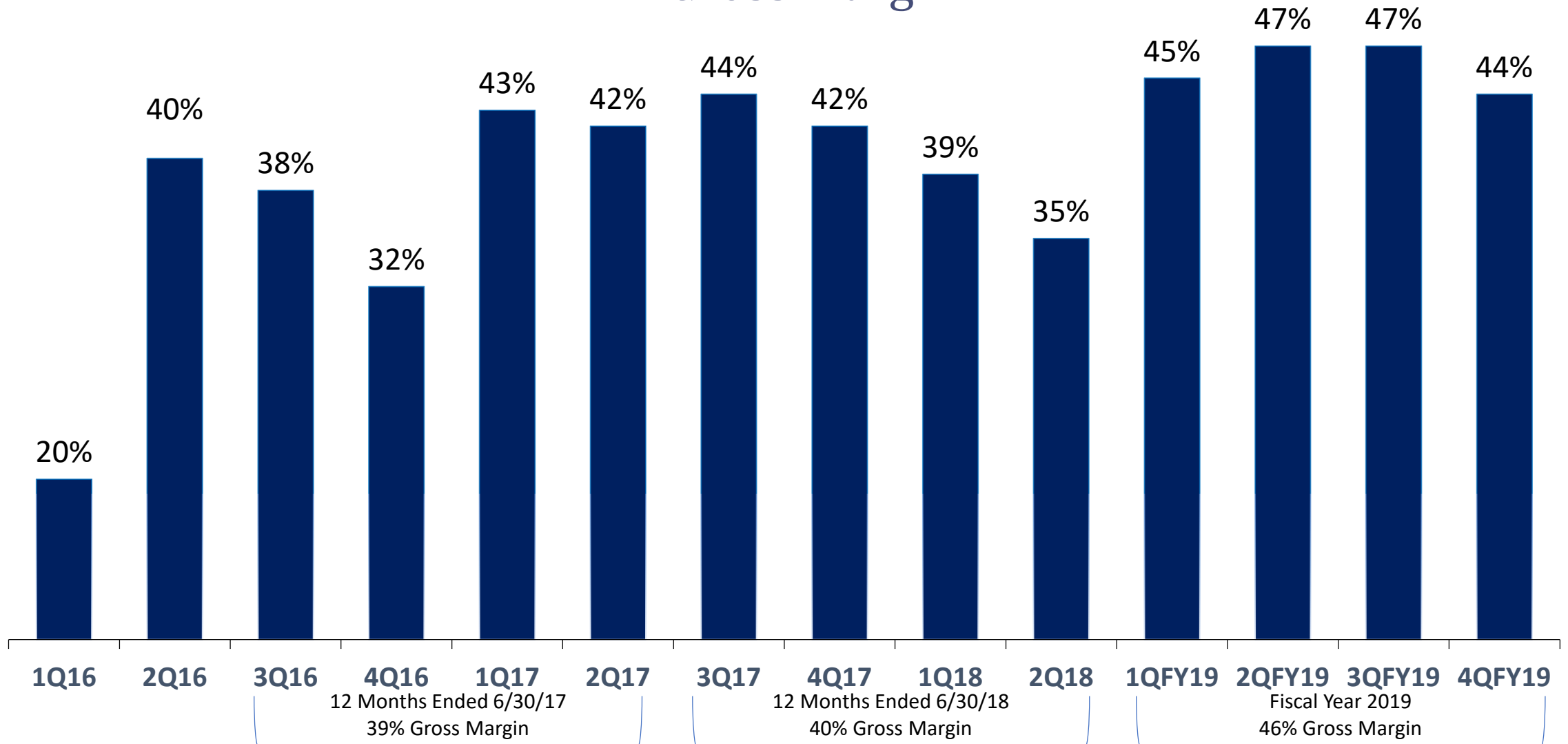


Net Sales from Traditional Segment (\$mm)





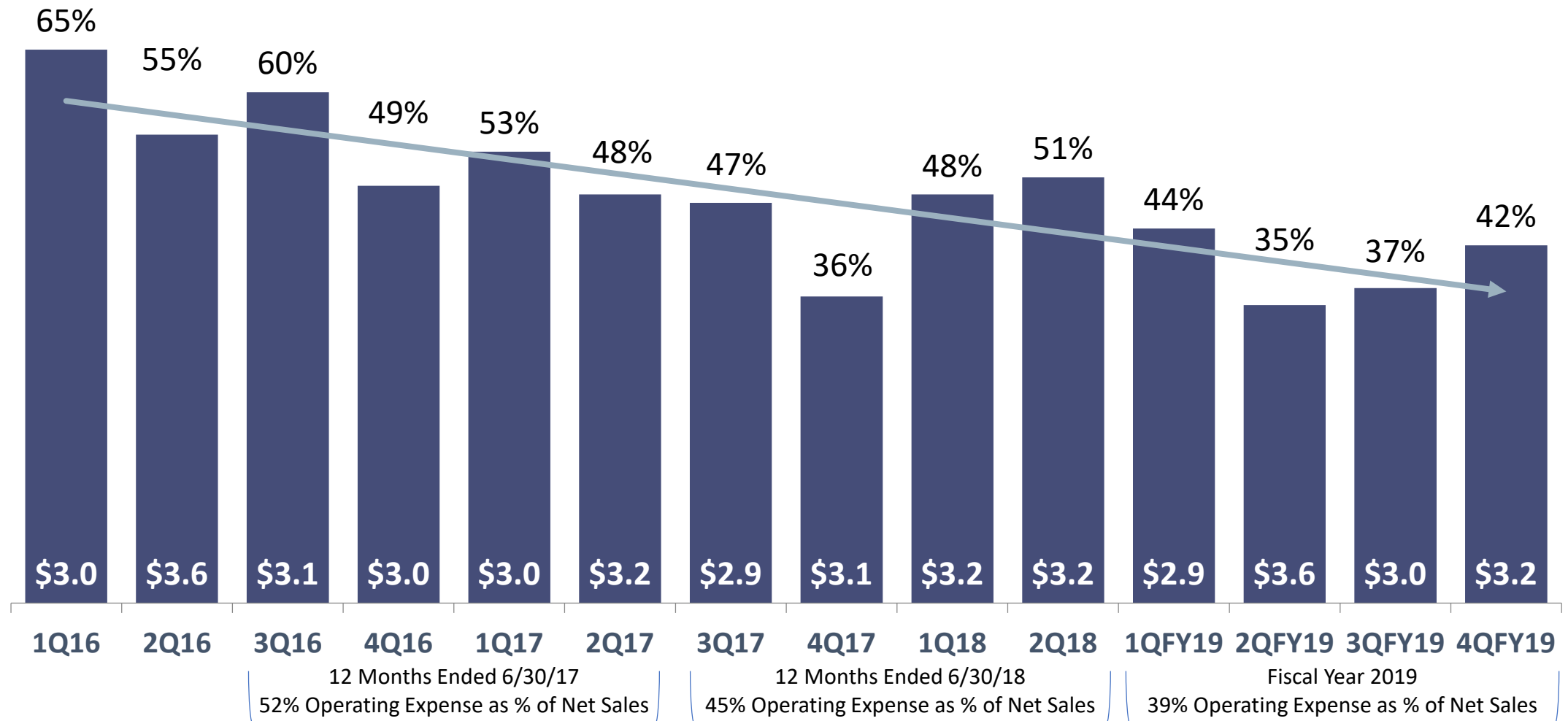
Gross Margin





Rationalized & Scalable Expense Structure (\$mm)

Total Operating Expense as % of Net Sales





Balance Sheet Summary Snapshot

(millions, except per share)



	6/30/18	6/30/19
Total Cash	\$3.4*	\$13.0**
Inventory	\$31.8	\$33.7
Total Assets	\$39.5	\$51.1
Total Debt	\$0.0	\$0.0
Total Liabilities	\$5.7	\$5.4
Shareholders' Equity	\$33.8	\$45.7
Shares Outstanding	21.7	28.0
Book Value Per Share	\$1.56	\$1.63





Inventory Summary

Standard Inventory Classification

\$mm	12/31/16	%	12/31/17	%	6/30/18	%	12/31/18	%	3/31/19	%	6/30/19	%
Short Term	\$9.7	35%	\$11.2	36%	\$11.0	35%	\$11.3	34%	\$11.4	34%	\$11.9	35%
Long Term	\$18.4	65%	\$19.8	64%	\$20.8	65%	\$21.5	66%	\$22.3	66%	\$21.8	65%
Total	\$28.1	100%	\$31.0	100%	\$31.8	100%	\$32.8	100%	\$33.7	100%	\$33.7	100%

Inventory Detail by Product Category

Category	12/31/16	12/31/17	6/30/18	12/31/18	3/31/19	6/30/19
New Inventory ¹	49%	64%	70%	74%	77%	79%
Legacy Inventory ²	51%	36%	30%	26%	23%	21%
Total	100%	100%	100%	100%	100%	100%

Strategic and Operating Highlights





Q4 and FY2019 Accomplishments

Q4 FY2019*

- Attractive double-digit revenue growth rate of 19%
 - High-performing Mother's Day campaign and bridal sales promotion over Memorial Day
 - Significant Traditional segment growth of 30% from strong brick-and-mortar and international partner sales
- Strong international sales increased 118% to represent 17% of total sales
- Finished jewelry sales increased 28% to represent 49% of total sales

Fiscal Year 2019**

- Maintained stable and strong gross margin of 46%
- International sales increased 106% to 13% of total sales for the year
- Continued product recognition and adoption
- Four consecutive quarters of profitability and \$0.10 earnings per diluted share
- Legacy inventory reduced to 21% of total inventory at 6/30/19
- Raised \$11 million in equity capital to invest in future marketing initiatives



Investing in Strategic Marketing to Drive Growth

Average Order Value (AOV)
~\$1,000¹

Average 46%¹ gross margin company-wide and 58%¹ gross margin for the entire Online Channels segment, which includes charlesandcolvard.com

Average Ad Spend
Per New Customer
~\$220²

AOV is ~4.5x larger than average ad spend per new customer

Repeat Customers
~28%³

Our new Customer Loyalty Program is designed to increase repeat customers

Note: All figures based on Fiscal Year Ended 6/30/2019 data from charlesandcolvard.com.

¹ charlesandcolvard.com revenue net of returns, divided by total number of orders.

² Total ad spend focused on charlesandcolvard.com traffic, divided by number of first-time customer orders.

³ Total number of orders by repeat customers on charlesandcolvard.com based on email address.



AWARENESS

Finding and starting a conversation with new audiences

ENGAGEMENT

Deepen connection with new audiences

CONSIDERATION

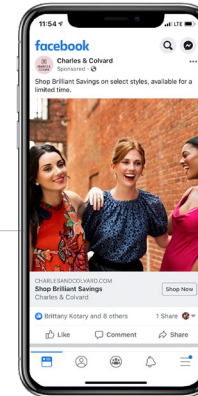
Develop a personal relationship with the consumer

DECISION

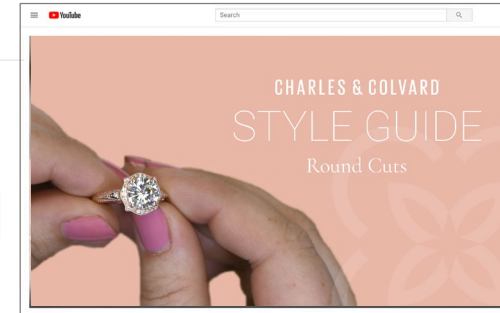
A Bespoke Buying Experience

ADVOCACY

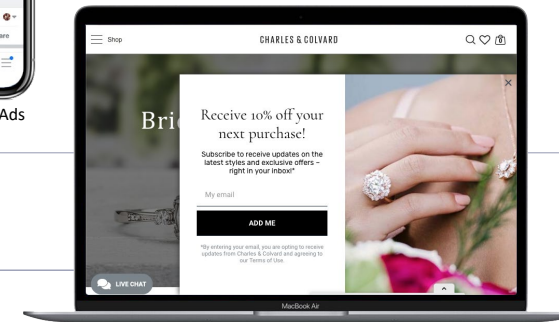
Creating A Movement



Mobile Social Ads



Style Videos

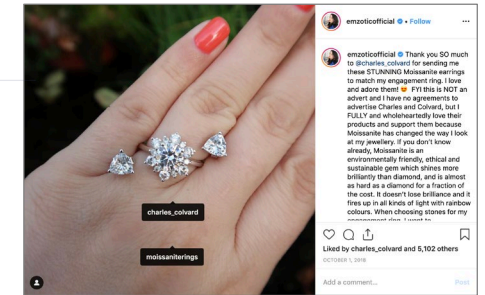


Email Sign-Up Offers

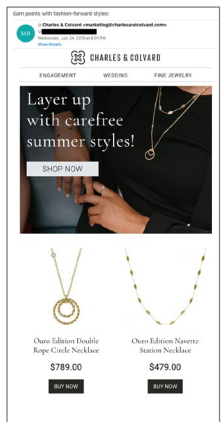
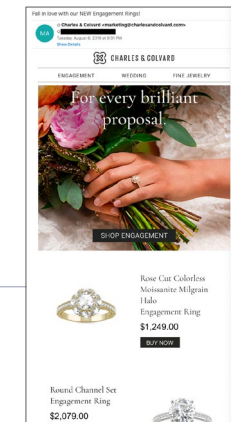


"Choosing an alternative to a diamond was extremely important to us... Moissanite was totally us."

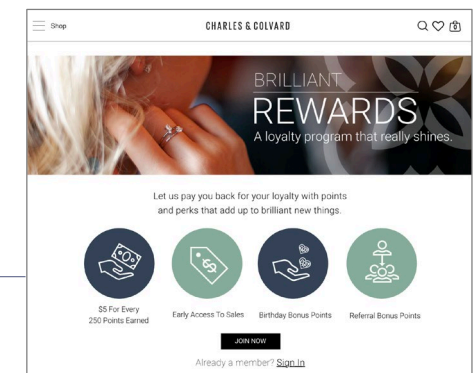
Customer Testimonials



Influencer Content



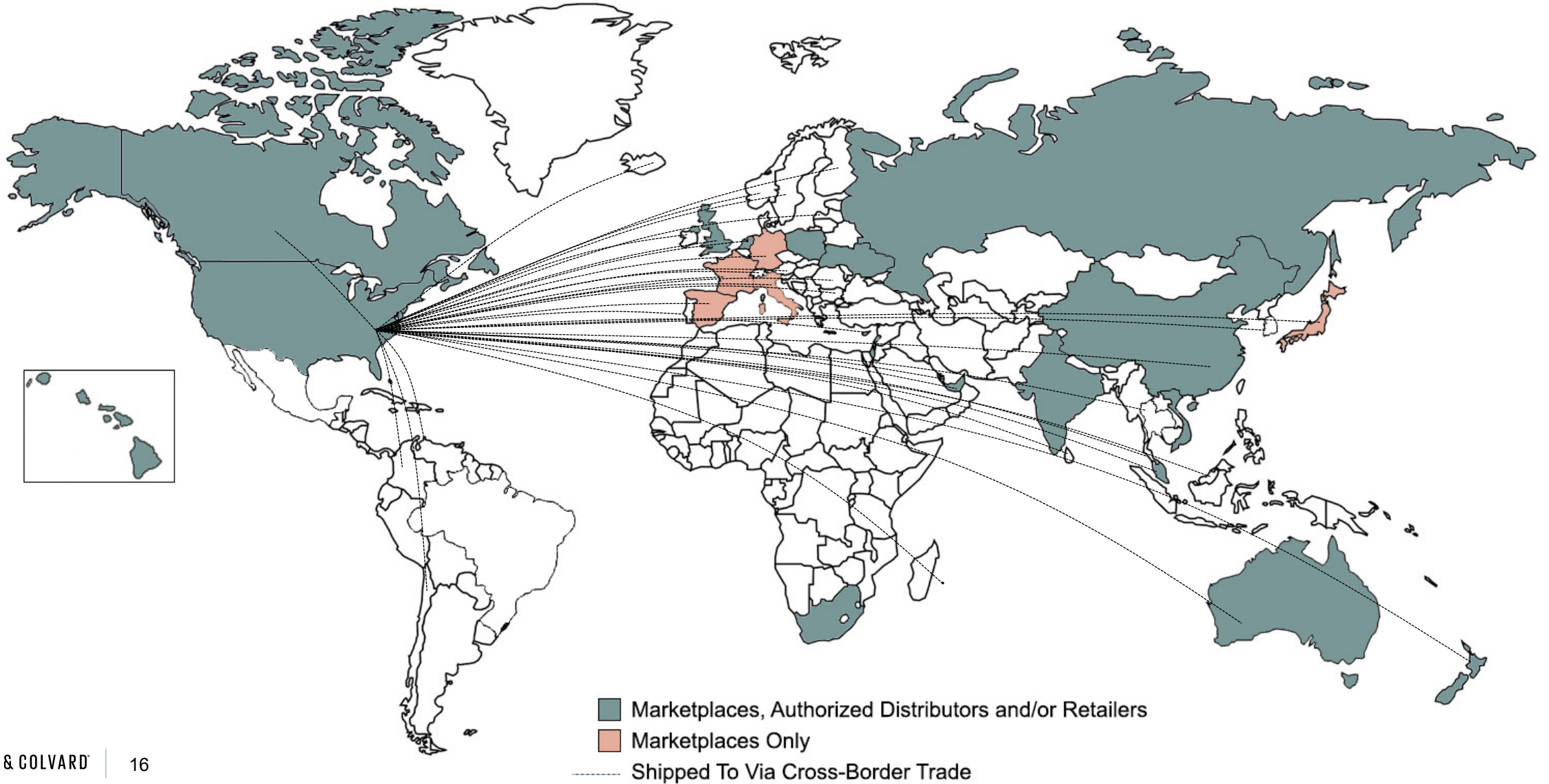
Personalized Emails



Loyalty Program



International Sales Reach





Product Evolution



Bridal



Signature Collection



Proprietary Rose Cuts



New Stone Shapes & Colors





Corporate Social Responsibility



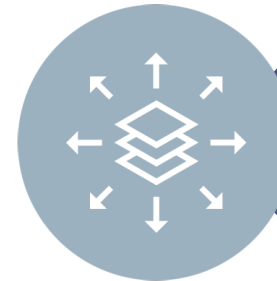
Use Of Recycled Metals



Philanthropic Programs



Improve Environmental Impact



Higher Level of Transparency

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