

Chatting with CTHR Leadership

The Bowser Report team discusses growth, outlook and value creation

As featured in the October 2021 issue of *The Bowser Report*:

Charles & Colvard Ltd. (CTHR) shares are up 15% since our recommendation two months ago, and the company reported outstanding quarterly financial results. Its year-over-year (yoy) growth and recent positive headlines are generating a lot of buzz. Since the company is already reaching major milestones, Editor Faris Sleem and Publisher Thomas Rice interviewed CEO Don O'Connell. Below is our conversation:

Rice: What changes were made that have contributed to the company's success following the global pandemic?

O'Connell: In 2020, there was a change in leadership, and I stepped in as the CEO of Charles & Colvard after being the COO of the company. After COVID-19, we doubled down on promoting the brand, meeting consumers at multiple touch points and focused on generating top and bottom-line growth while creating value for our shareholders. We looked at the pandemic as an opportunity to pivot and grow the business across multiple platforms. Internally, I've been able to leverage my industry experience to streamline operations to make us more competitive.

Sleem: Can you tell us more about the company and what you expect to achieve down the road?

O: Our goal has always been to create value and build strong brand awareness. We want both investors and consumers to understand that Charles & Colvard is the premium brand for purchasing high quality jewelry. We like to focus on our key strengths and use them to build brand awareness. We are socially and ethically responsible which is now more important than ever. We created our particular gemstone, moissanite, years ago and we offer the best of the best via our Forever One line of jewelry.

Within the last year, we launched Lab Grown Diamonds, which offers consumers a choice to purchase a socially-responsible diamond if that's what they want. Before, we only had moissanite, but now we offer consumers an option to buy a diamond that isn't mined and can be purchased at a more reasonable price. Now that our brand has more recognition and we are succeeding in a new market, we expect to be the market leader in socially-responsible gemstone sales.

S: What makes Charles & Colvard different from other competitors aside from its social responsibility?

O: We offer the finest of the finest moissanite gemstones under our brand name and only bring in Caydia Lab Grown diamonds. This allows us to offer the highest quality lab grown diamonds with top-tier color, which is what consumers in this industry care about. The buying process is also very complicated in this industry, but we are able to simplify it. Consumers just have to click and ship after choosing whatever style they desire. This simple process has definitely helped boost sales of our Signature Collection, which are up 242% yoy. Additionally, our products are patented and trademarked which acts as a huge differentiating factor.

R: You mentioned high growth, can you elaborate on your online and retail sales?

O: We want to continue to move toward online sales for obvious reasons. Quarterly online sales and fiscal year sales grew 86% and 40% yoy, respectively. We anticipate that will continue as we establish new initiatives. Retail sales growth was slowed by COVID-19, but as you can see in our most recent earnings report, that segment is bouncing back quickly. Since we sell our products both online and in-store, it's even more advantageous for faster bottom-line growth.

R: How do you build confidence in buying jewelry online for skeptical consumers?

O: We have a 60-day return policy to ensure that consumers have a successful online experience and feel comfortable coming back to buy more of our products. Our packaging and presentation reflect a high quality product, and we try to build relationships with consumers for repeat sales. We've also been in business for 26 years and have built many consumer relationships throughout that time.

S: What is the CTHR team doing to drive brand awareness and function more efficiently?

O: Our team has grown tremendously over the last year to take on a huge market opportunity that we did not have before. We also have an internal investor relations (IR) team and external public relations (PR) team that have been engaging more in the investor community. Our IR and PR has lacked in the past, but we now have a robust PR team and our IR team is working extremely hard. Lately, we have started making more data-driven decisions that has been working wonders for our marketing strategy. There are a few other initiatives we'll be rolling out, including our Charles & Colvard Signature Showrooms which allow consumers to come and see our products in person. With the data we are gathering, we may consider building more showrooms in strategic areas of the U.S.

R: What milestones do you expect the company to achieve long-term?

O: My goal is to build wealth for shareholders and our communities worldwide. By building customer loyalty and maintaining transparency with investors, I believe we could grow the company to an unbelievable size. The company already has a lot of underlying value, including a great balance sheet with no debt and plenty of cash. In the future, we'll be looking at potential strategic acquisitions as long as it benefits our investors long-term. We are being mindful of sustainable growth and want to achieve the valuation that we believe we deserve.

Conclusion

The recent quarterly financial results and insider buying line up with the long-term goals of CTHR's management team. While its healthy balance sheet and rapid sales growth are the primary catalysts, there is a lot of value in successful branding. All of this, in combination with management's transparency, is reassuring that the company will continue to capture market share.

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