



CHARLES & COLVARD®

Q3 FY 2022 Earnings

CONFERENCE CALL PRESENTATION

Nasdaq: CTHR

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 economic and market conditions; (4) we face intense competition in the worldwide gemstone and jewelry industry; (5) our information technology, or IT, infrastructure, and our network may be impacted by a cyber-attack or other security incident as a result of the rise of cybersecurity events; (6) constantly evolving privacy regulatory regimes are creating new legal compliance challenges; (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 may experience quality control challenges from time to time that can result in lost revenue and harm to our brands and reputation; (11) seasonality of our business may adversely affect our net sales and operating income; (12) our operations could be disrupted by natural disasters; (13) sales of moissanite and lab grown diamond jewelry could be dependent upon the pricing of precious metals, which is beyond our control; (14) our current customers may potentially perceive us as a competitor in the finished jewelry business; (15) we depend on a single supplier 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; (16) 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; (17) governmental regulation and oversight might adversely impact our operations; (18) the execution of our business plans could significantly impact our liquidity; (19) 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; (20) negative or inaccurate information on social media could adversely impact our brand and reputation; (21) 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; (22) 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; (23) environmental, social, and governance matters may impact our business, reputation, financial condition, and results of operations; (24) if we fail to evaluate, implement, and integrate strategic acquisition or disposition opportunities successfully, our business may suffer; (25) 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; (26) some anti-takeover provisions of our charter documents may delay or prevent a takeover of our Company; and (27) 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 SEC that discuss other factors relevant to our business.



Agenda

- Continued Strong Operating Momentum
- Key Financials
- Stock Repurchase Program
- Direct-to-Consumer Business
- Finished Jewelry
- What Does This Mean?
- Q3 FY 2022 Financial Summary
- Focused on Elevating Consumer Experience
- Wrap Up
- Q&A

Continued Strong Operating Momentum



Revenue

- Up 3% to \$9.8M Q3 2022*
- Up 14% to \$33.8M YTD Q3 2022*
- Up 36% versus YTD Q3 2020
- Seven consecutive quarters of top-line Growth and Profitability



Capital Deployment

- Expanding Organic and Digital Marketing Efforts
- Optimize Technology



Gaining Traction – Leader in Made, Not Mined™

charlesandcolvard.com

- Sales of Lab Grown Diamond projected to be \$49.9 Billion by 2030¹
- Caydia® Lab Grown Diamond Revenue Up 141% Q3 2022 and 256% YTD Q3 2022*
- Moissanite Revenue Up 10% Q3 2022 and 20% YTD Q3 2022*
- Revenue Up 22% Q3 2022*
- Revenue Up 34% YTD Q3 2022*

Key Financials



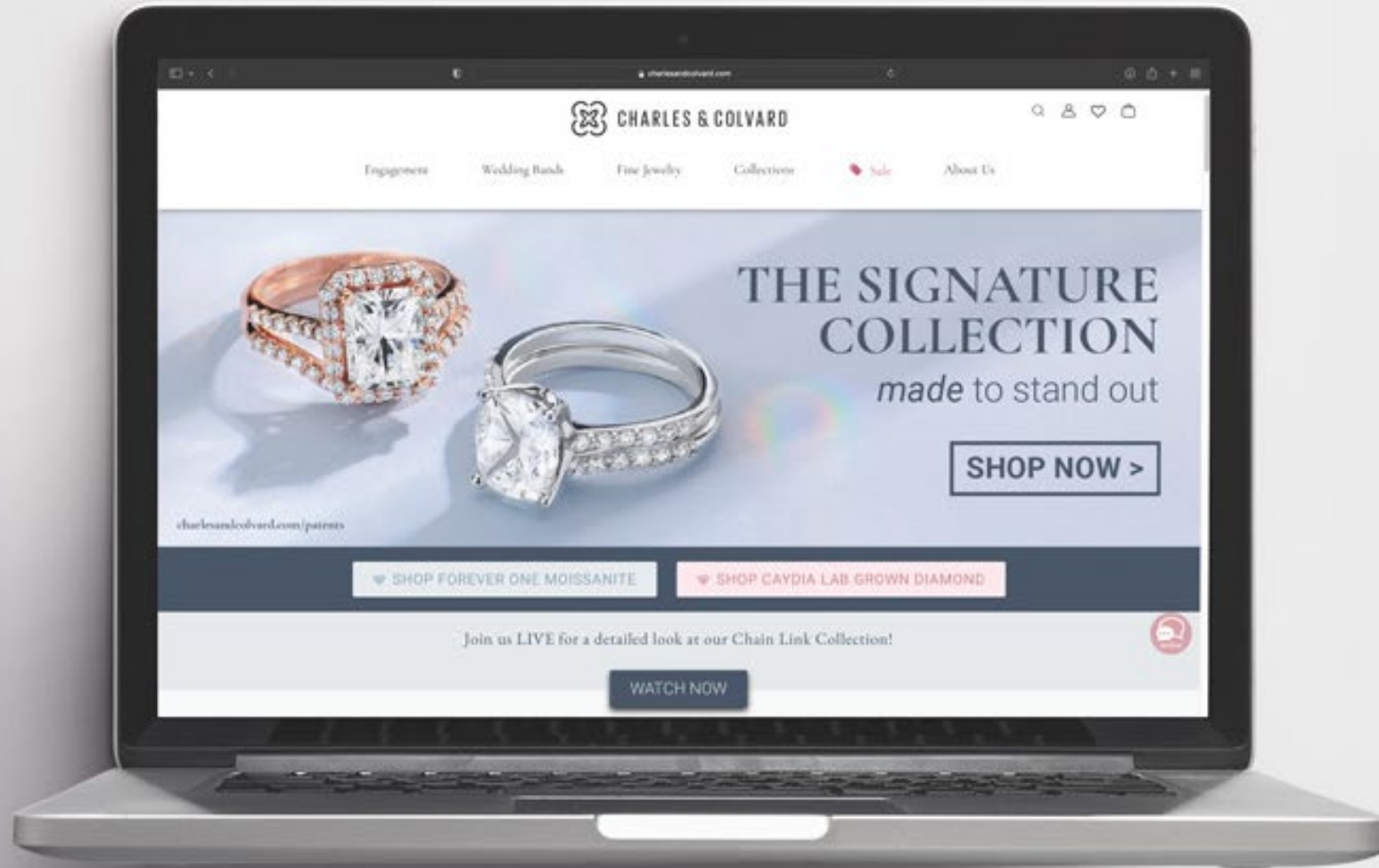
Q3 FY 2022

- Gross Margin - 49% YTD Q3 2022; 46% Q3 2022
- Cash Flow from Operations \$1.1M
- Income from Operations \$416,000
- Net Income \$339,000 or \$0.01 Diluted EPS
- Total Cash up 11% to \$21.9M vs \$19.7M Q3 2021



Stock Repurchase Program

- \$5 million Stock Repurchase Program over the next three years



Direct-to-Consumer Business

- Investments to Drive DTC Business, representing 65% of total sales
- Website Traffic and Conversion Continue to Climb
- Average Order Value for Q3 FY 2022 Up 5% to \$1,200 vs year ago quarter

Finished Jewelry



Patent: www.charlesandcolvard.com/patents

- Launched New Star Series
- Broad Bridal and Anniversary Selection – Forever One™ Moissanite and Caydia® Lab Grown Diamond
- Signature Collection – Sales up to 29% Q3* and 59% YTD Q3*
- Featured in Vogue, Forbes, Brides, Men’s Health, WWD and quoted in CNNBusiness
- Finished Jewelry Inventory Up to 37% Q3*
- Loose Jewels Inventory down 5% Q3*

* Compared to year-ago period

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What Does This Mean?



- Fuel Any Strategic Opportunity
- Traditional Segment Revenue down 12% Q3 2022*, up 7% YTD Q3 2022*
- New UK Distributor – Cooksongold
- Expanded Assortment in Drop Ship and with Brick & Mortar partners – Helzberg Diamonds and Macy's
- Segments Require Distinctively Different Capital Allocations and Resources
- Sales & Marketing expenses up from Q3 FY 2021; down 39% from Q2 FY 2022

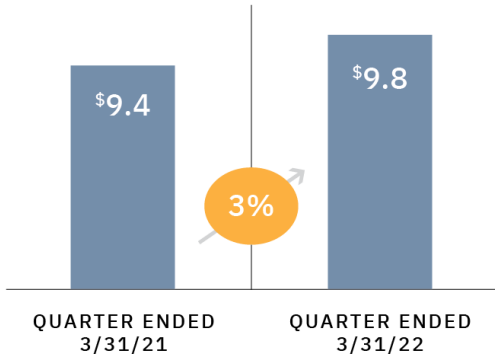


Financial Summary

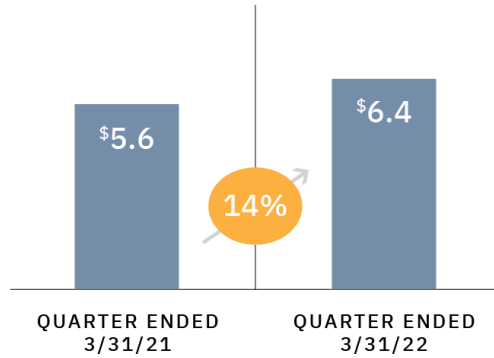
NET SALES

Q3 FY 2022 and YTD ended March 31, 2022

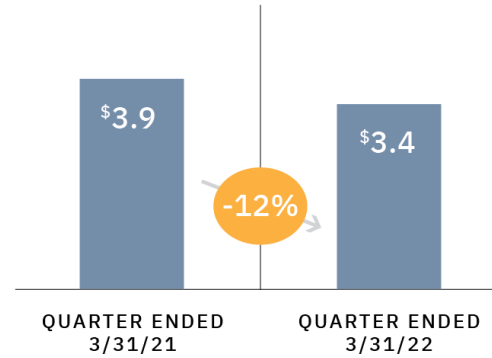
Net Sales (\$M)



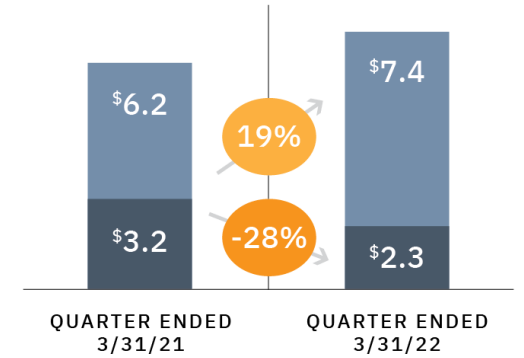
Net Sales from Online Channels Segment (\$M)



Net Sales from Traditional Segment (\$M)



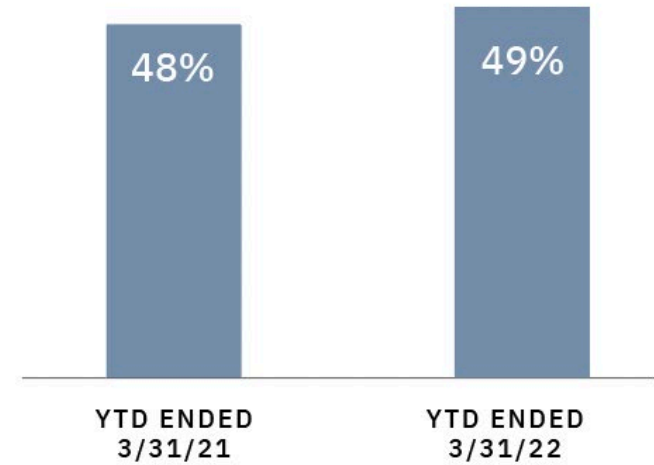
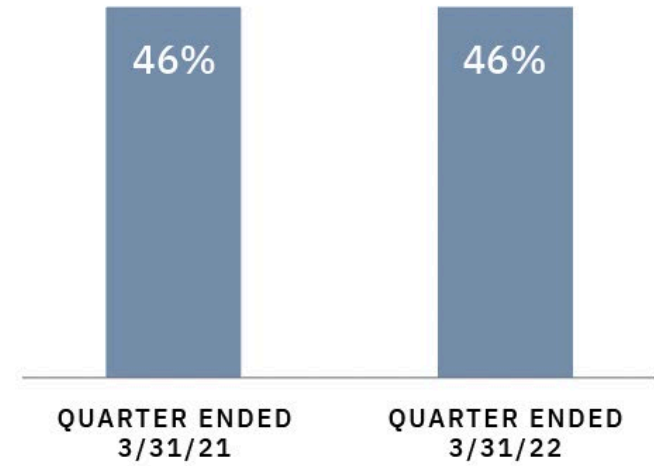
Finished Jewelry & Loose Jewel Net Sales (\$M)





Q3 FY 2022

Gross Margin

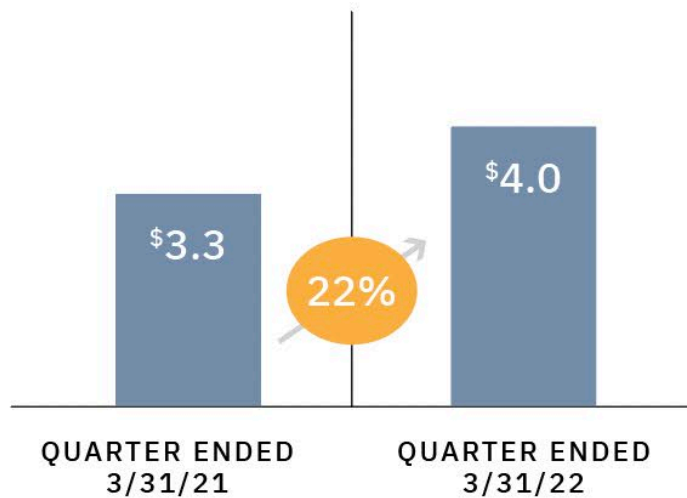


Q3 FY 2022

Operating Expenses



Total Operating Expenses (\$M)



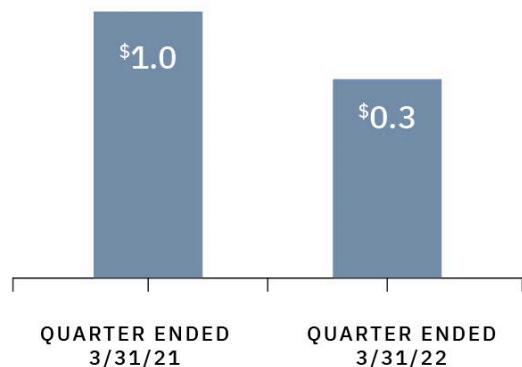
Sales & Marketing Expenses (\$M)



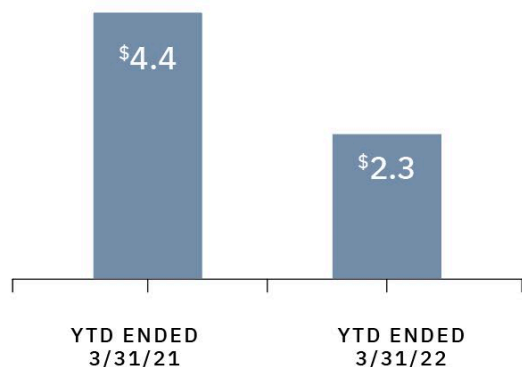
General & Administrative Expenses (\$M)



Net Income (\$M)



Note: Tax provision of \$78,000 for the Quarter Ended 3/31/22 versus \$500 for the Quarter Ended 3/31/2021

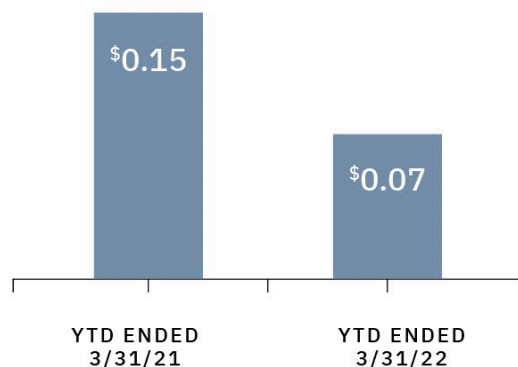


Note: Tax provision of \$485,000 for the YTD Ended 3/31/22 versus \$1,500 for the YTD Ended 3/31/21

Net Earnings Per Diluted Share



Note: During the above periods, the weighted average shares outstanding increased approximately 800,000 shares driven by an increase in option exercises by insiders and issuance of performance-based restricted stock to executives



Q3 FY 2022 &
YTD ENDED MARCH 31, 2022

Net Income & Earnings Per Share



Balance Sheet Summary

	3/31/22	6/30/21
TOTAL CASH¹	\$21.9	\$21.4
INVENTORY	\$32.5	\$29.2
TOTAL ASSETS	\$68.4	\$64.9
DEBT	\$0	\$0
TOTAL LIABILITIES	\$9.1	\$9.2
SHAREHOLDERS' EQUITY	\$59.4	\$55.7
SHARES OUTSTANDING	30.7	29.9
BOOK VALUE PER SHARE	\$1.93	\$1.86

¹Cash, cash equivalents and restricted cash

(in millions, except per share)



Focused on Elevating Consumer Experience

- Overhauling Visual and Messaging Directives
- Reskinning Direct-to-Consumer Web Presence
- Live Streaming Opportunities
- Signature Showroom & Production Studio
Near Completion



Wrap Up

- Buy What You Believe – What You Stand For
- Values – Love, Trust, and Consciousness
- **ESG Commitments**
 - Made, Not Mined™ Gemstones
 - Delivering 100% Recycled Precious Metals
 - Highest Quality Materials and Craftsmanship

Q&A

