



**CHARLES & COLVARD<sup>®</sup>**

**Q4 FY 2022 & Full Fiscal Year 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 and our results of operations could be materially adversely affected as a result of general economic and market 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) the effects of COVID-19 and other potential future public health crises, epidemics, pandemics or similar events on our business, operating results, and cash flows are uncertain; (4) we face intense competition in the worldwide gemstone and jewelry industry; (5) our information technology 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) some anti-takeover provisions of our charter documents may delay or prevent a takeover of our Company; (26) we cannot guarantee that our share repurchase program will be utilized to the full value approved, or that it will enhance long-term stockholder value and repurchases we consummate could increase the volatility of the price of our common stock and could have a negative impact on our available cash balance; 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 “Risk Factors” in Part I, Item 1A, of this Annual Report on Form 10-K. 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.



Patent: [charlesandcolvard.com/patents](https://charlesandcolvard.com/patents)

# Agenda

- Stats
- Q4 & Full Fiscal Year 2022 Financial Summary
- Recent Key Drivers
- FY 2023 Strategic Initiatives
- Q&A



## Stats

### Revenue

- \$9.3M for Q4 2022
- Up 10% to \$43.1M for FY 2022\*
- Up 48% versus FY 2020

### Gaining Traction – Leader in *Made, Not Mined*<sup>™</sup>

[charlesandcolvard.com](http://charlesandcolvard.com)

- Caydia® Lab Grown Diamond Revenue Up 50% for Q4 2022 and 173% for FY 2022\*
- Moissanite Revenue Up 13% for FY 2022\*
- Revenue Up 24% for FY 2022\*

### Other Stats

- Gross Margin - 47% FY 2022; 41% Q4 2022
- Gross Profit - \$20.2M for FY 2022 versus \$18.4M for FY 2021
- Cash Flow from Operations \$600,000 for FY 2022
- Income from Operations \$2.9M for FY 2022
- Total Cash of \$21.2M
- Eighth consecutive quarter of profitability
- Inventory - \$33.5M
- Working Capital - \$29.1M
- No debt

\* Compared to year-ago period



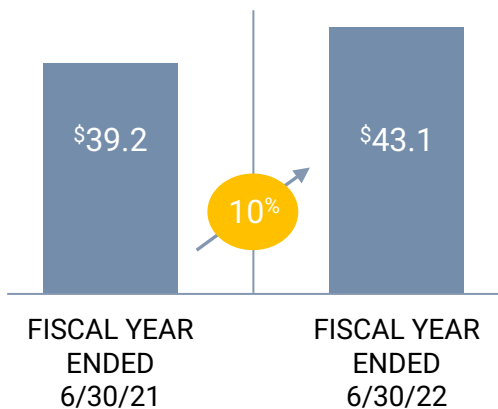
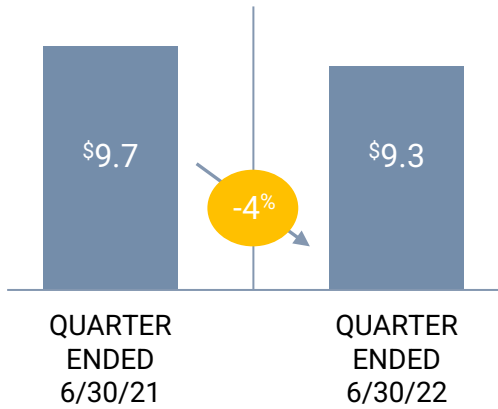
# Financial Summary

Q4 FY 2022 & Full Fiscal Year 2022

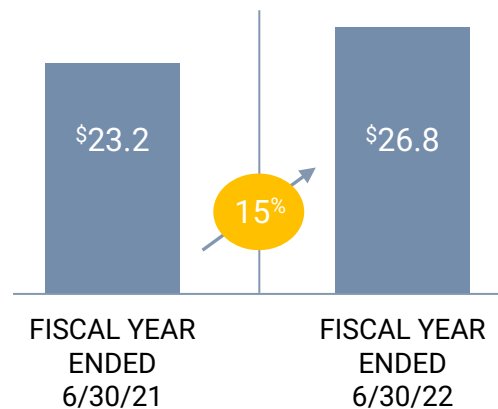
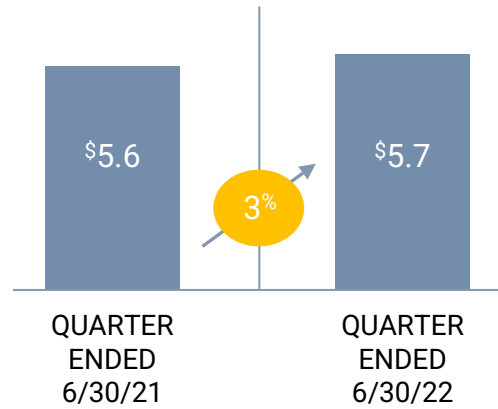
# NET SALES

Q4 FY 2022 and Full Fiscal Year 2022

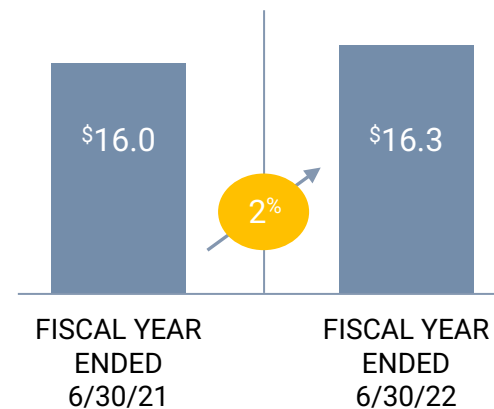
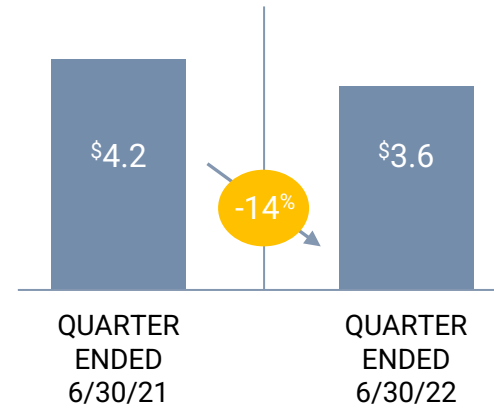
## Net Sales (\$M)



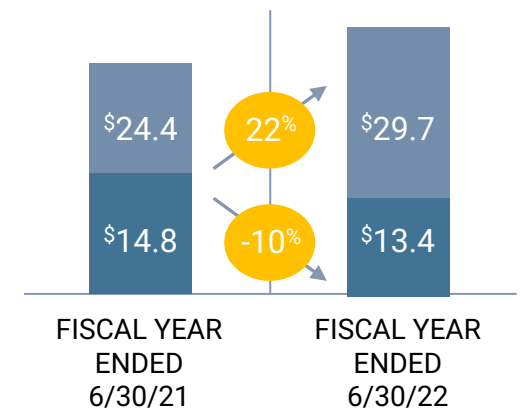
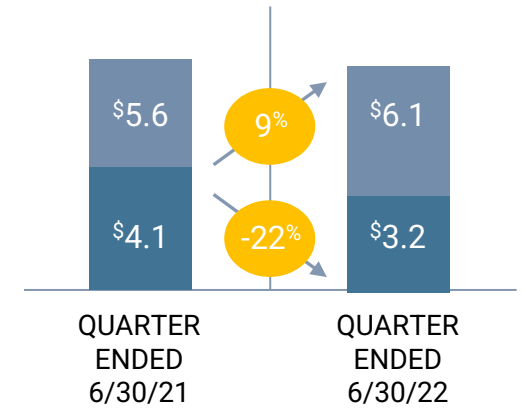
## Net Sales from Online Channels Segment (\$M)



## Net Sales from Traditional Segment (\$M)



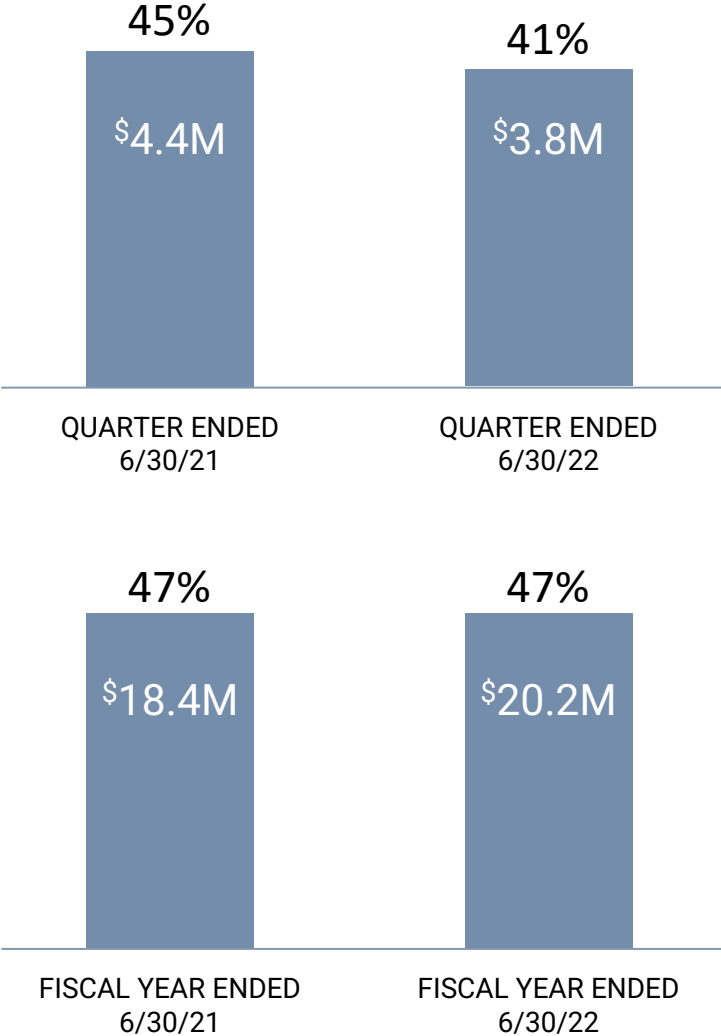
## Finished Jewelry & Loose Jewel Net Sales (\$M)





# Gross Margin % and Gross Profit in millions

Q4 FY 2022 & Full Fiscal Year 2022

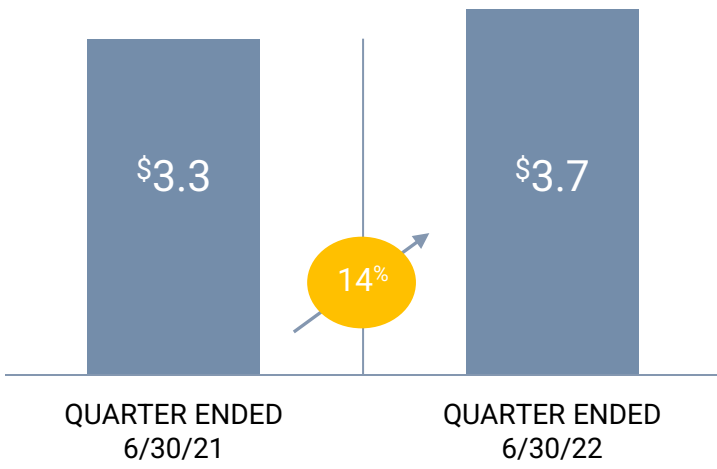




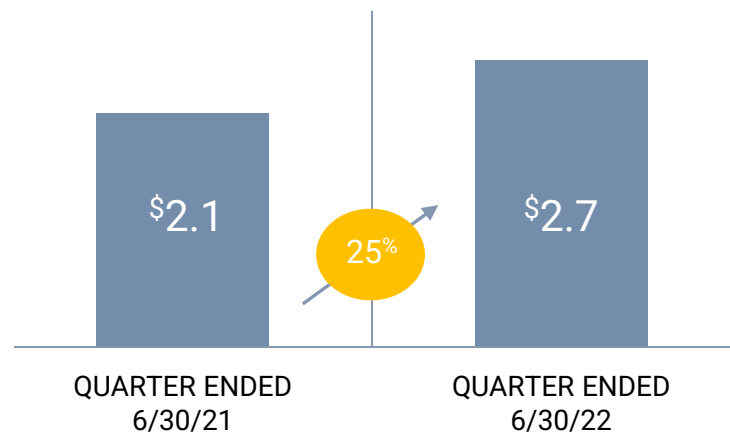
# Operating Expenses

Q4 FY 2022

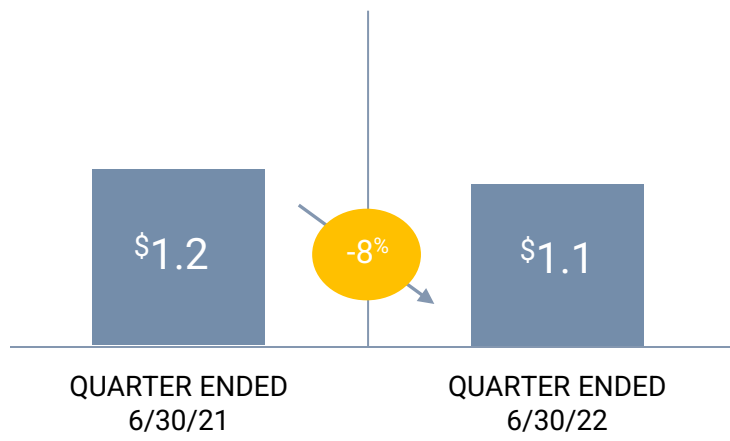
### Total Operating Expenses (\$M)



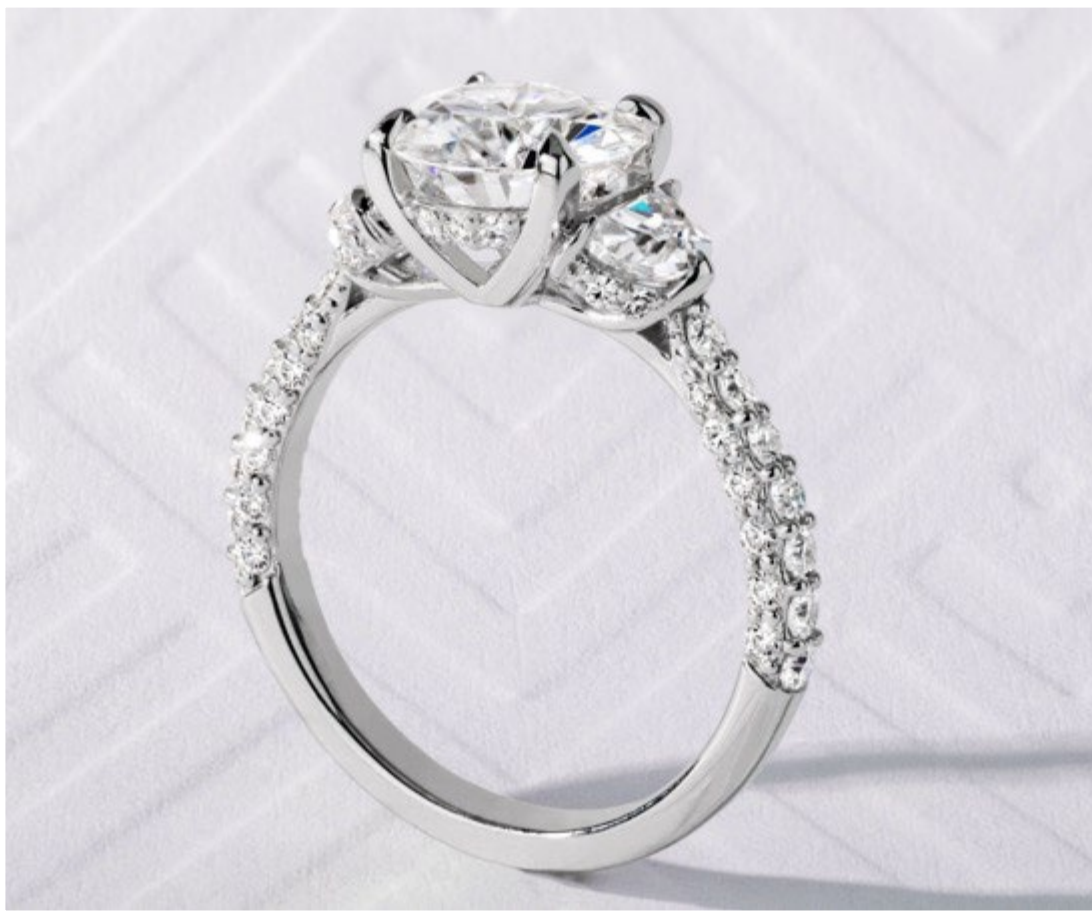
### Sales & Marketing Expenses (\$M)



### General & Administrative Expenses (\$M)



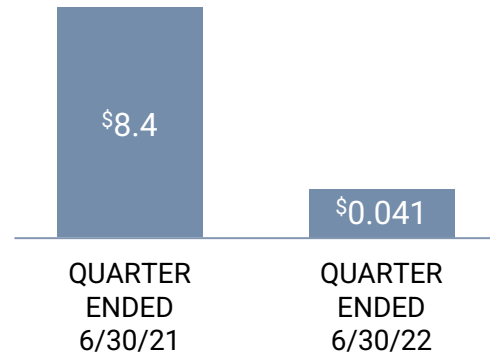




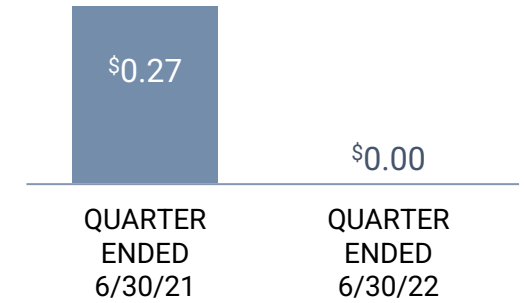
# Net Income & Earnings Per Share

Q4 FY 2022 & Full Fiscal Year 2022

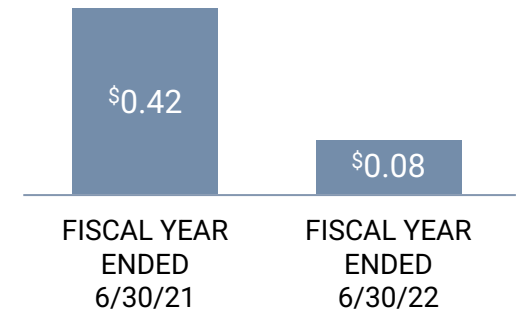
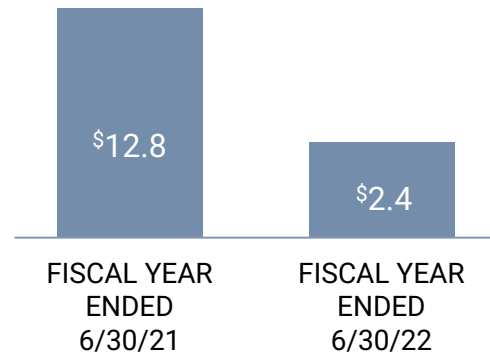
## Net Income (\$M)



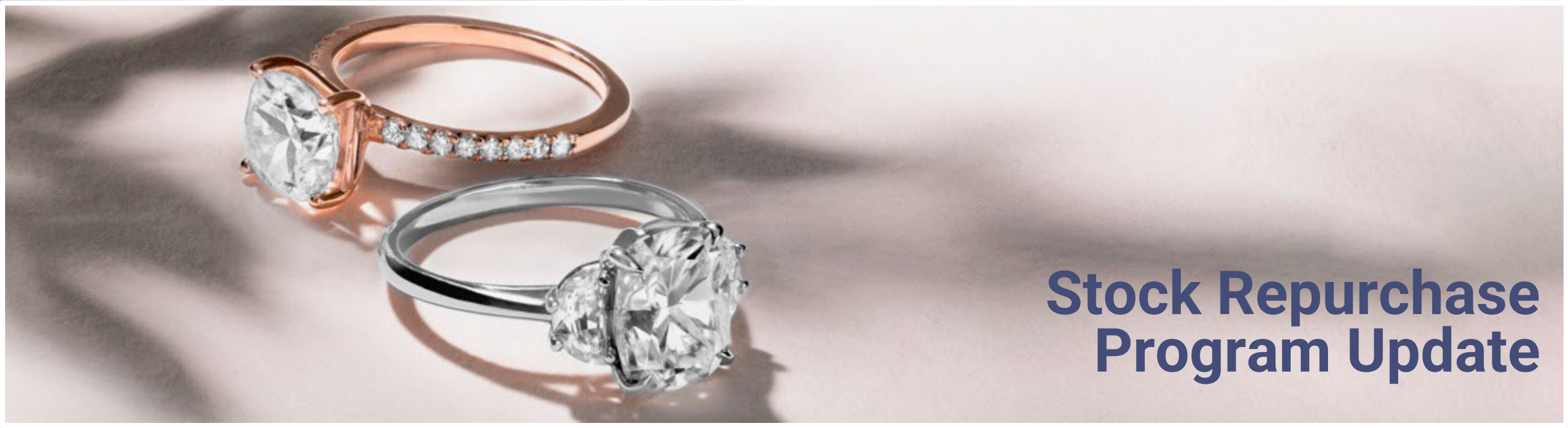
## Net Earnings Per Diluted Share



Note: Income tax expense of \$34,000 for the quarter ended 6/30/22 vs an income tax benefit of \$6.3M for the quarter ended 6/30/21



Note: Income tax expense of \$518,000 for the Fiscal Year ended 6/30/22 vs an income tax benefit of \$6.3M for the Fiscal Year ended 6/30/21



## Stock Repurchase Program Update

- \$5 million Stock Repurchase Program over the next three years
- As of August 26, 2022, 273,257 shares repurchased and held in treasury stock for an aggregate purchase price of \$356,120, at an average price of \$1.30 per share.
- As of June 30, 2022, repurchased 30,287 shares for an aggregate purchase price of \$38,164, at an average price of \$1.26 per share.

	6/30/22	6/30/21
TOTAL CASH <sup>1</sup>	\$21.2	\$21.4
INVENTORY	\$33.5	\$29.2
TOTAL ASSETS	\$69.2	\$64.9
DEBT	\$0	\$0
TOTAL LIABILITIES	\$9.7	\$9.2
SHAREHOLDERS' EQUITY	\$59.6	\$55.7
SHARES OUTSTANDING	30.7	29.9
BOOK VALUE PER SHARE	\$1.94	\$1.86

<sup>1</sup>Cash, cash equivalents and restricted cash



## Balance Sheet Summary



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Patent: [charlesandcolvard.com/patents](https://charlesandcolvard.com/patents)

## Recent Key Drivers

- Signature Collection increased 33% for FY 2022\* comprising nearly 10% of jewelry sales
- Finished Jewelry inventory increased 39% for Q4 2022\*
- Attended JCK industry market week
- Expanded product assortments in Brick & Mortar
- Launched conscious Couture Collection
- Integrated Moissanite Outlet assortment into our Drop Ship Retail Partners
- Recent press mentions include Brides, MSN, RetailMeNot, and JCK

\* Compared to year-ago period



## Recent Key Drivers (Continued)

- Continued awareness campaigns driving customers to direct-to-consumer owned properties [charlesandcolvard.com](https://www.charlesandcolvard.com) and [moissaniteoutlet.com](https://www.moissaniteoutlet.com)
- Building a leading destination for all things *Made, Not Mined*<sup>™</sup>
- Traditional revenue up 2% for FY 2022\*
- Strategic investments optimizing ERP system, distribution platforms and marketing automation capabilities
- Created a cadence of live streaming shopping events on our DTC website and streaming social media channels

\* Compared to year-ago period



## **FY 2023 Strategic Initiatives**

- Strengthening Our Brand Presence
- Marketing Strategy to Increase Awareness
- Enhancing and Expanding Product Assortment
- Broadening Our Footprint



Q&A