

Nasdaq: CTHR



CHARLES & COLVARD®

Q3 Fiscal 2019 Company Overview



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 gemstone and jewelry industry; the financial condition 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; our ability to maintain compliance with The Nasdaq Stock Market’s continued listing requirements; dependence on our exclusive supply agreement with Cree, Inc. for the supply of our silicon carbide, or SiC, crystals; general economic and market conditions; 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 on our operations; the pricing of precious metals, which is beyond our control; the impact of significant changes in e-commerce opportunities, technology, or models; the risk of a failure of our information technology infrastructure to protect confidential information and prevent security breaches; our current customers’ potential perception of us as a competitor in the finished jewelry business; risks of conducting business internationally; the potential adverse effect of December 2017 U.S. tax legislation; our ability to protect our intellectual property; the potential adverse impact of negative or inaccurate social media commentary; 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 Transition Report on Form 10-KT for the transition period ended June 30, 2018 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.

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- Established in 1995
- Publicly traded on Nasdaq: CTHR
- Based in Research Triangle Park, NC
- Lab-created, ethically-sourced gemstone disrupting the jewelry industry at a revolutionary value
- Consumer-facing bridal, fine and fashion jewelry brand
- 23 years of expertise creating, manufacturing and distributing moissanite





Market Opportunity

- Global online fashion jewelry \$45B;
global online fine jewelry \$30B by 2020^{1,2}
- Lab-created gemstone opportunity \$8B by 2020⁴
- Millennial audience embracing lab-created alternative options
- Charles & Colvard at the convergence of online jewelry shopping and emergence of lab-created gemstones

\$8B

estimated lab-created
gemstone market by 2020⁴

11%

of brides choosing jewels
other than diamond³

¹ <https://www.forbes.com/sites/deborahweinswig/2016/04/14/as-fine-jewelry-moves-online-the-market-sparkles>,

² <https://www.mckinsey.com/industries/retail/our-insights/a-multifaceted-future-the-jewelry-industry-in-2020>,

³ https://issuu.com/jckmagazine/docs/bridal_jck2017/18,

⁴ <https://www.wsj.com/articles/de-beers-tries-to-counter-a-growing-threat-man-made-diamonds-1478434763>,

⁴ <https://www.morganstanley.com/ideas/diamond-market-lab-grown-disruption>



Charles & Colvard Created Moissanite®

- Rare, naturally occurring mineral (silicon carbide)
- Discovered in 1893 by Dr. Henri Moissan in a meteorite crater
- Now grown in high-tech laboratories in Research Triangle Park, NC
- Ethically sourced, conflict-free and non-disruptive to the environment
- More fire and brilliance than diamond
- Harder than sapphire, emerald or ruby
- Properties closely resemble diamonds at a fraction of the price
- The World's Most Brilliant Gem™





Unprecedented Quality

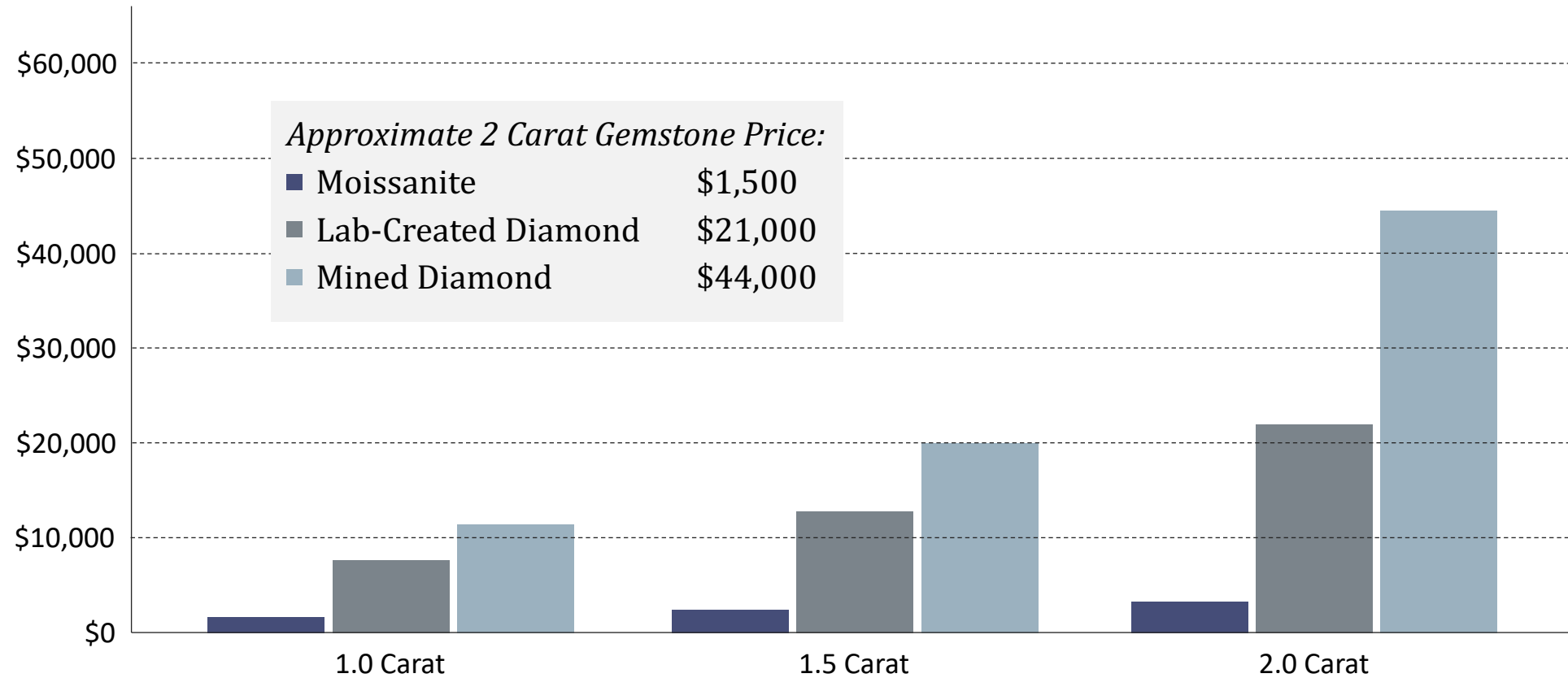
Gemstone Comparison Guide

	<i>Beauty</i>		<i>Durability</i>	
	Brilliance Refraction Index (RI)	Fire Dispersion	Hardness Mohs Scale	Toughness
CHARLES & COLVARD Moissanite	2.65 – 2.69	0.104	9.25-9.5	Excellent
Diamond	2.42	0.044	10	Good to Excellent*
Ruby	1.77	0.018	9	Excellent**
Sapphire	1.77	0.018	9	Excellent**
Emerald	1.58	0.014	7.50	Poor to Good



Affordable Luxury

Moissanite vs. Diamond



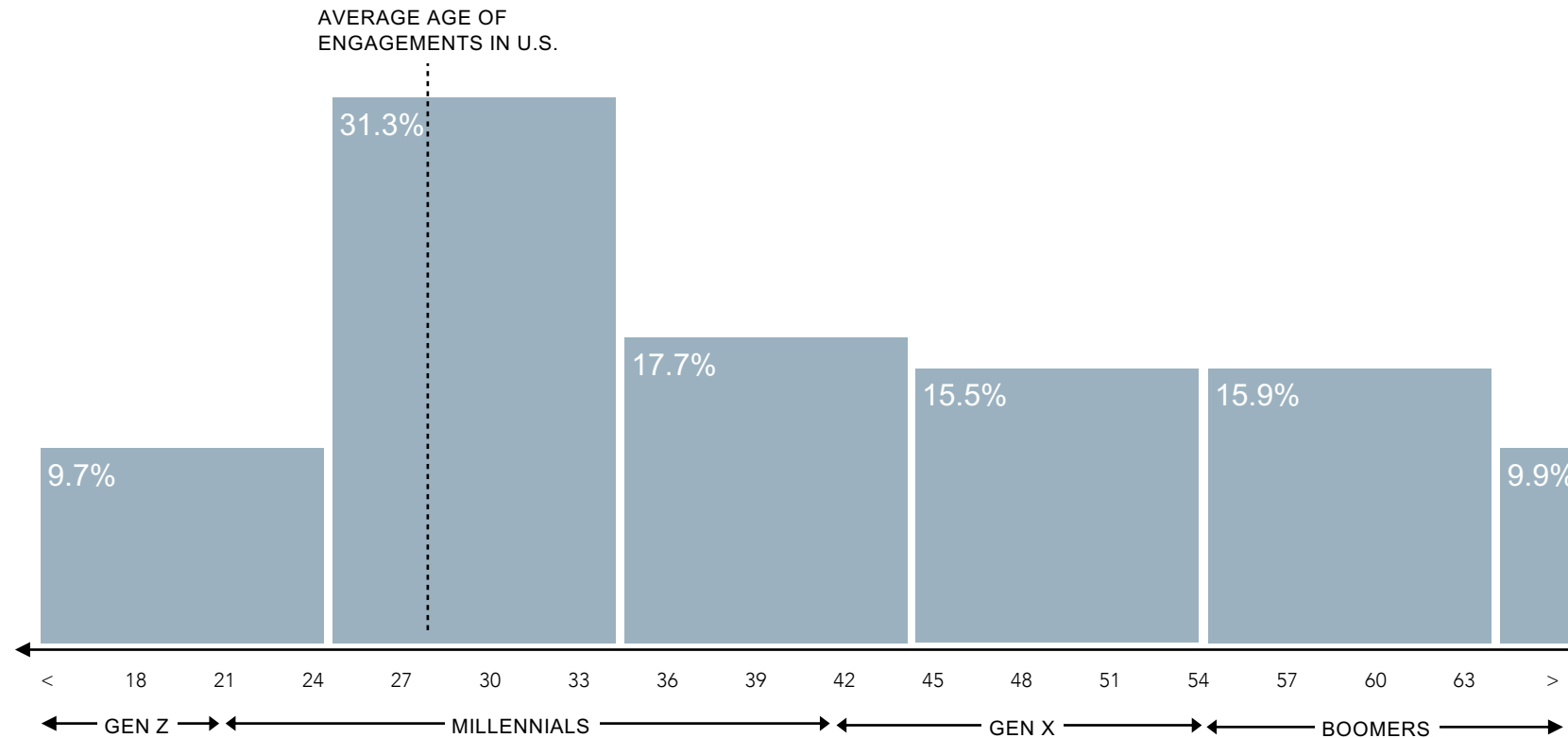
Moissanite price reflects Forever One™ by Charles & Colvard® Colorless Gemstones.
Lab-Created Diamond and Mined Diamond Prices are based on retail averages from multiple eCommerce sites including:
Rare Carat, Blue Nile, Brilliant Earth, Miadonna, Ada Diamonds, Diamond Foundry and others.
Gemstone price based on round, DEF color, IF-VVS2 clarity, excellent-to-good cut.

Brilliance Guaranteed

Every Charles & Colvard gemstone is covered by a limited lifetime warranty – ensuring optical properties of the stone including brilliance and fire, and the physical integrity of the stone including chipping, breaking, scratching and abrasions.



Demographics of the Charles & Colvard Customer



Primary Motivators:



Beauty



Value



Social Responsibility

The Millennial Shopper

Research

76%

of millennials browse the internet before making either an online or offline purchasing decision⁵

Engagement

62%

of millennials say that if a brand engaged with them on social networks, they are more likely to become a loyal customer⁶

Brands

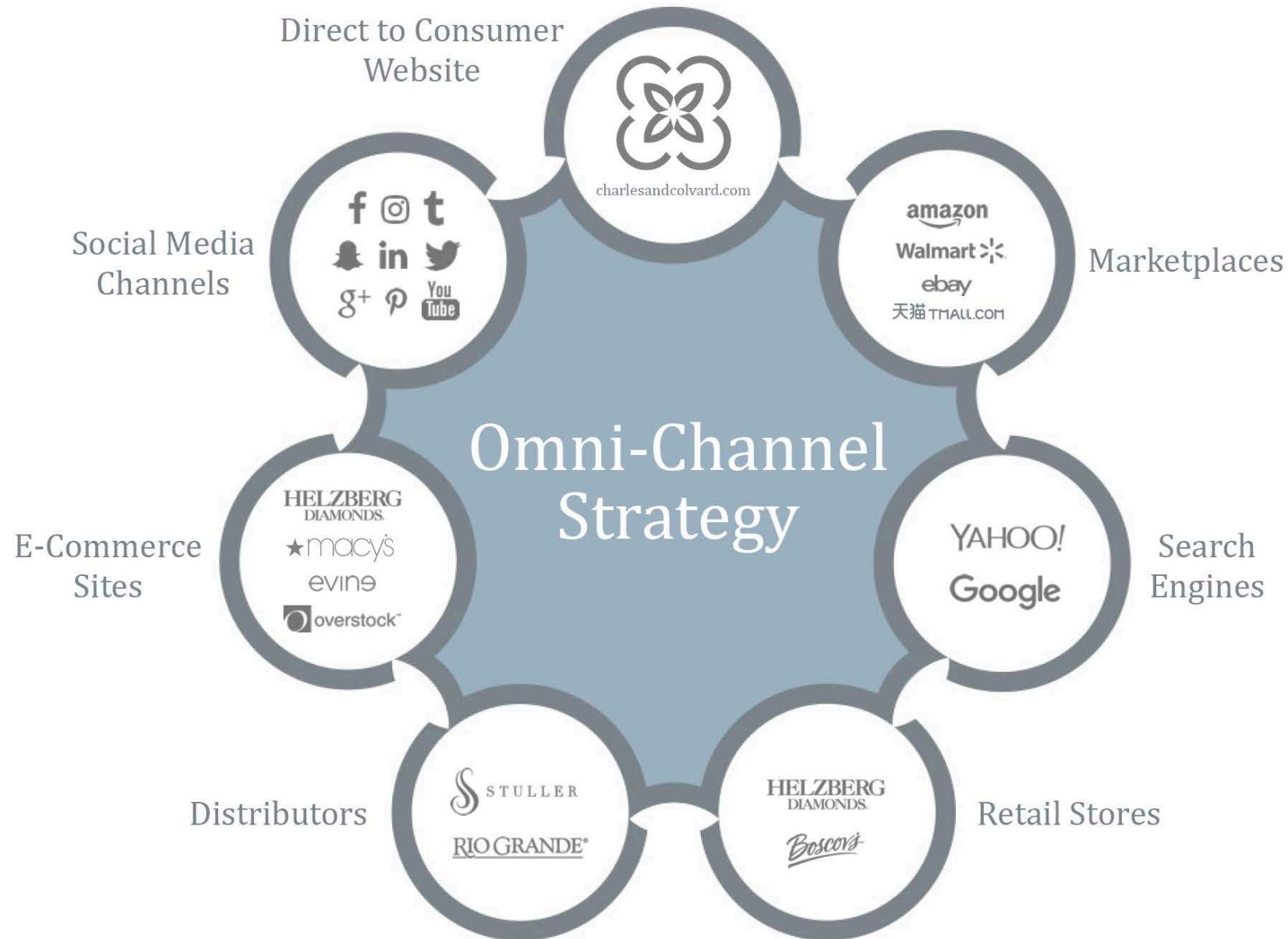
80%

of millennials prioritize making the world a better place, and gravitate toward brands that live this vision⁷

Marketplaces

79%

of millennials have made a purchase on Amazon within the last month⁸



























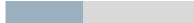





Targeting Large Global Jewelry Market with Focused Strategy

- Global online fine and fashion jewelry market estimated to reach \$75B by 2020¹
- Agile, low-overhead approach leveraging experience with U.S. online marketplaces
- Established presence in Amazon international marketplaces
 - Spain, Italy, France, Germany, United Kingdom, Australia, Japan
- Launched presence with top marketplaces in Australia
 - Amazon, eBay and Catch





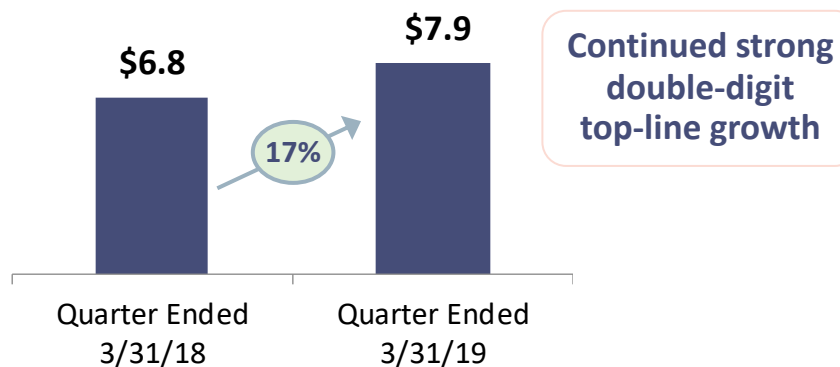
New Channel Investments and ROI

	Cross-Border Trade (CBT)	Marketplaces	Drop-Ship Retailers	Brick-and-Mortar Retailers
Strategy	Drive international buyers to transact directly on our U.S. website in their local currency	Provide our product inventory on established marketplaces worldwide	Present our product inventory on established retailers' websites	Include our products in brick-and-mortar stores of prominent retailers
Benefits	Our vendor solution enables payment in customer's local currency and handles international shipping logistics and returns	We can leverage established online retailers' customer access, evaluate market potential and deploy aging inventory disposition strategy	This approach provides a low risk way to develop relationships with target retailers and then expand to their other sales channels	Our brand gets broad exposure to retail traffic and customers can experience our products in-person
Inventory	Leverages shared inventory 	Leverages shared inventory 	Leverages shared inventory Minimal exclusive inventory 	Substantial exclusive inventory investment up-front Some product exclusivity 
Investment	No vendor integration fees Minimal monthly subscription fees Minimal transaction fees ROI-based in-country marketing 	Minimal initiation/integration fees Minimal subscription fees Substantial transaction fees ROI-based in-country marketing 	Minimal integration fees Minimal subscription fees Minimal transaction fees ROI-based co-op marketing 	Minimal integration fees Median subscription fees Minimal transaction fees Substantial required co-op marketing 
Return	New Customer Potential  Average Sale Price  Margin  ROI Potential  Payback Period  <div>LOWHIGH</div>	New Customer Potential  Average Sale Price  Margin  ROI Potential  Payback Period  <div>LOWHIGH</div>	New Customer Potential  Average Sale Price  Margin  ROI Potential  Payback Period  <div>LOWHIGH</div>	New Customer Potential  Average Sale Price  Margin  ROI Potential  Payback Period  <div>LOWHIGH</div>

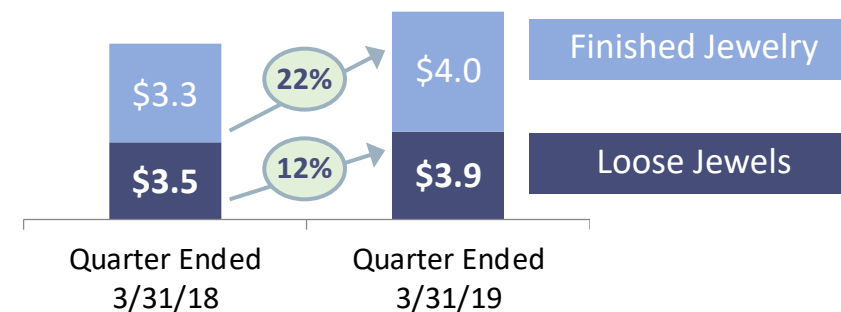


Net Sales – Q3 FY2019

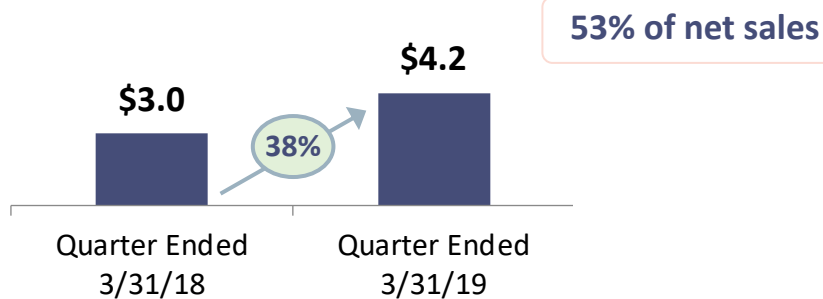
Net Sales (\$mm)



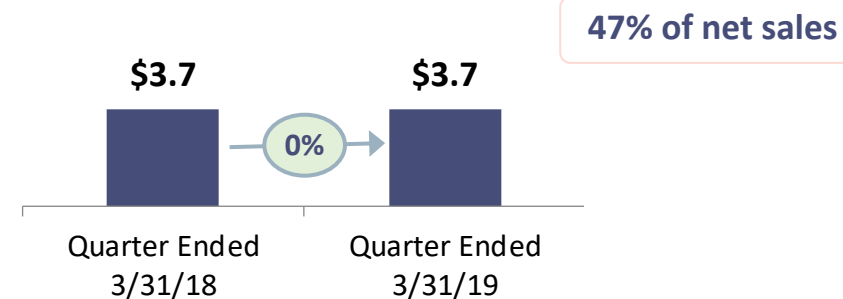
Loose Jewel & Finished Jewelry Net Sales (\$mm)



Net Sales from Online Channels Segment (\$mm)



Net Sales from Traditional Segment (\$mm)





Balance Sheet Summary Snapshot

(millions, except per share)

	6/30/18	3/31/19
Total Cash	\$3.4	\$4.6
Inventory	\$31.8	\$33.7
Total Assets	\$39.5	\$42.3
Total Debt	\$0.0	\$0.0
Total Liabilities	\$5.7	\$6.0
Shareholders' Equity	\$33.8	\$36.3
Shares Outstanding	21.7	21.7
Book Value Per Share	\$1.56	\$1.67





Investor Summary

Value opportunity with growth potential

- Cash, no debt and trading below book value
- Growth potential tied to large addressable market and appeal to millennials

Significant insider ownership/participation

- Insiders own over 14%
- Over 750,000 insider shares purchased since 2016

Recent accomplishments

- Trailing 12-month net sales of \$31 million
- Online Channel net sales increased 38% in Q3 2019
- Finished Jewelry net sales increased 22% in Q3 2019
- charlesandcolvard.com net sales grew 55% in Q2 2019
- Added new retail relationships including Macy's and several international marketplaces
- Third quarter of profitability with YTD Q3 2019 profit of \$2.1 million

Key strategies for Fiscal 2019

- Driving organic revenue growth in the U.S. and maintain attractive margins
- Expanding our gemstone and jewelry offerings to serve a broad range of customers
- Targeting the global market opportunity through continued brand building, focused channel expansion and world-class customer service
- Balancing growth-oriented investments to generate sustainable earnings improvement



Five Key Investment Themes



High-Quality
Sustainable
Product

Strong Appeal
to Millennials



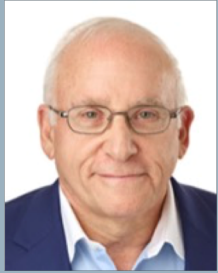
Large and
Expanding
Market for
Lab-Created
Gemstones

Untapped
Global
Opportunity

Scalable
Online
Channel
Growth



Our Team



Neal Goldman
Chairman of the
Board of Directors

*President
Goldman Capital
Management, Inc.*

Largest Shareholder



Suzanne Miglucci
President & Chief
Executive Officer

*Previous Experience:
Chief Marketing
Officer*

channeladvisor®



Clint J. Pete
Chief Financial
Officer &
Treasurer

*Previous Experience:
Director of
Business Planning*

ORACLE



Don O'Connell
Chief Operating
Officer & Senior
Vice President,
Supply Chain

*Previous Experience:
Executive VP of
Operations & Global
Jewelry Solutions*



RICHLINE GROUP



Tom Bergen
Senior Vice
President,
Sales

*Previous Experience:
Director of
E-Commerce
Merchandising*



John Lane
Vice President,
Marketing

*Previous Experience:
Chief Strategy Officer,
Centerline Digital*



With Clients Such As:





*We believe luxury can be both beautiful and conscientious.
With innovative technology and sustainable practices,
our goal is to lead a revolution in the jewelry industry –
delivering a brilliant product at extraordinary value
balanced with environmental and social responsibility.*

CHARLES & COLVARD

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