

Nasdaq: CTHR



CHARLES & COLVARD®

*Q4 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 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., or Cree, for the supply of our silicon carbide, or SiC, 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.

# Contents

- 4 About Charles & Colvard
- 5 Market Opportunity
- 6 Created Moissanite
- 9 The Millennial Shopper
- 11 Omni-Channel Strategy
- 14 Financial Snapshot
- 18 Investor Summary
- 19 Our Team





- 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
- 24 years of expertise creating, manufacturing and distributing moissanite





## Market Opportunity

- Global online fashion jewelry \$45B by 2020<sup>1,2</sup>
- Global online fine jewelry \$30B by 2020<sup>1,2</sup>
- Millennial audience embracing lab-created alternative options
- Charles & Colvard at the convergence of online jewelry shopping and emergence of lab-created gemstones

**\$75B**

estimated global online  
fashion and fine jewelry  
market by 2020<sup>1,2</sup>

**11%**

of brides choosing jewels  
other than diamond<sup>3</sup>

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

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

<sup>3</sup> [https://issuu.com/jckmagazine/docs/bridal\\_jck2017/18](https://issuu.com/jckmagazine/docs/bridal_jck2017/18)

<sup>3</sup> <https://www.wsj.com/articles/de-beers-tries-to-counter-a-growing-threat-man-made-diamonds-1478434763>



## 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

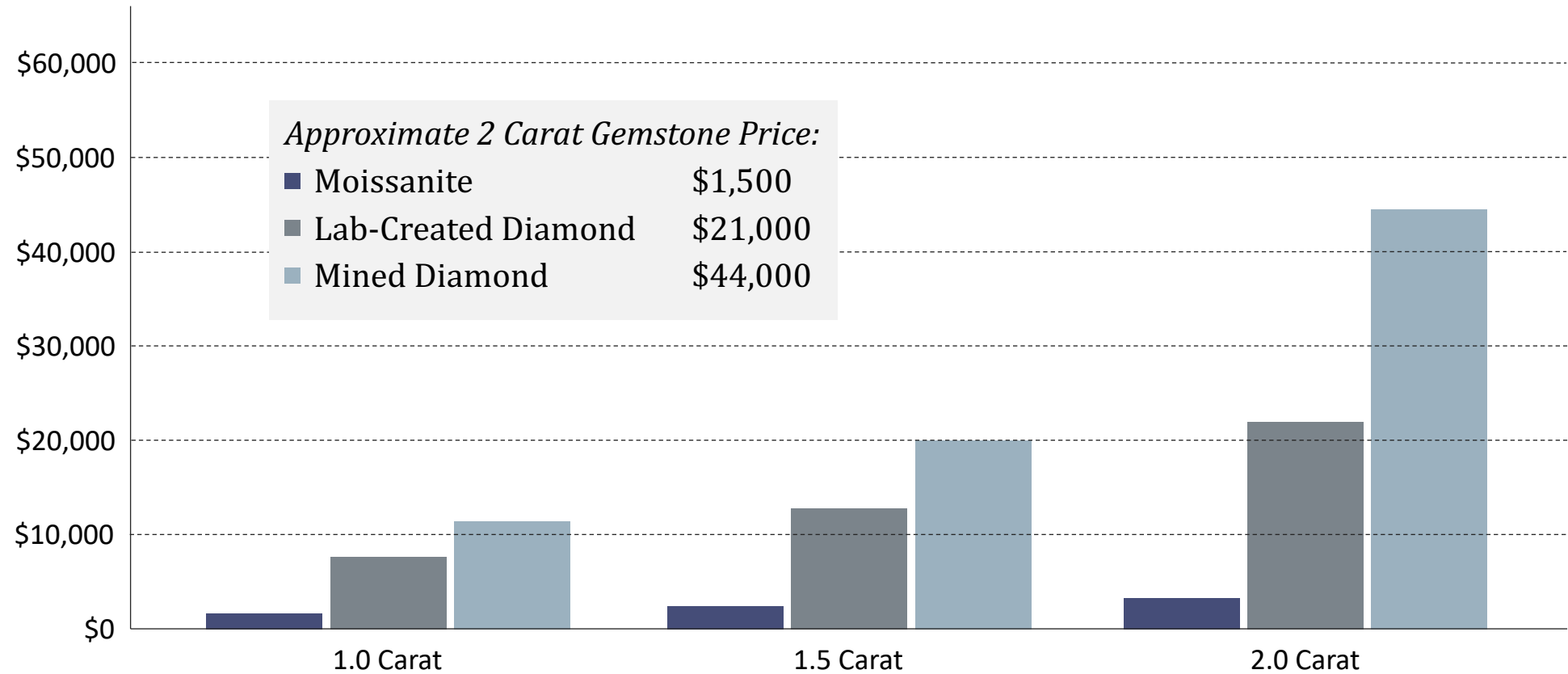
## *Gemstone Comparison Guide*

	Beauty		Durability	
	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*

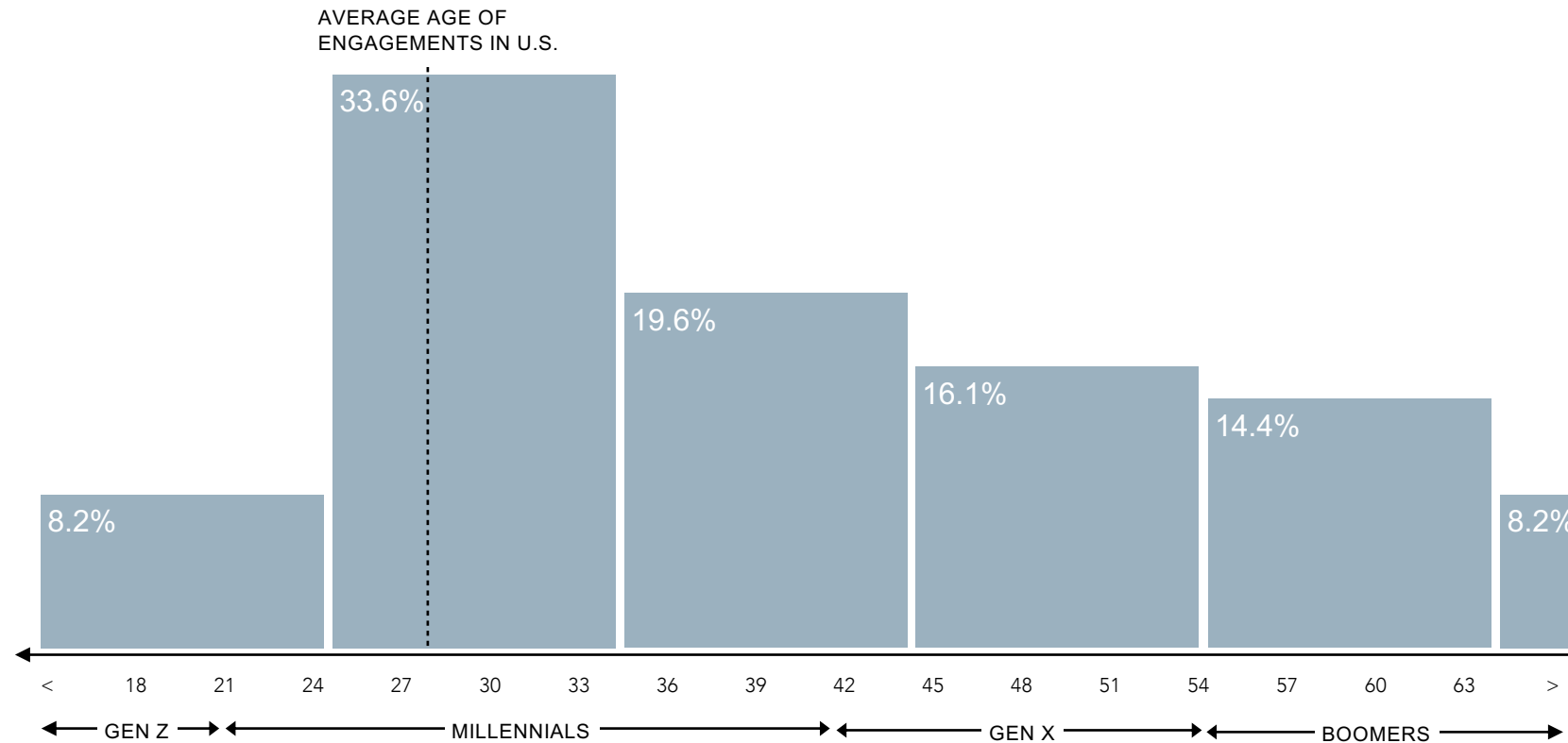


Moissanite price reflects Forever One™ by Charles & Colvard® Colorless Gemstones.  
Lab-Created Diamond and Mined Diamond Prices are based on retail averages from multiple eCommerce sites including:  
Rare Carat, Blue Nile, Brilliant Earth, Miadonna, Ada Diamonds, Diamond Foundry and others.  
Gemstone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





# 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 decision<sup>5</sup>

*Engagement*

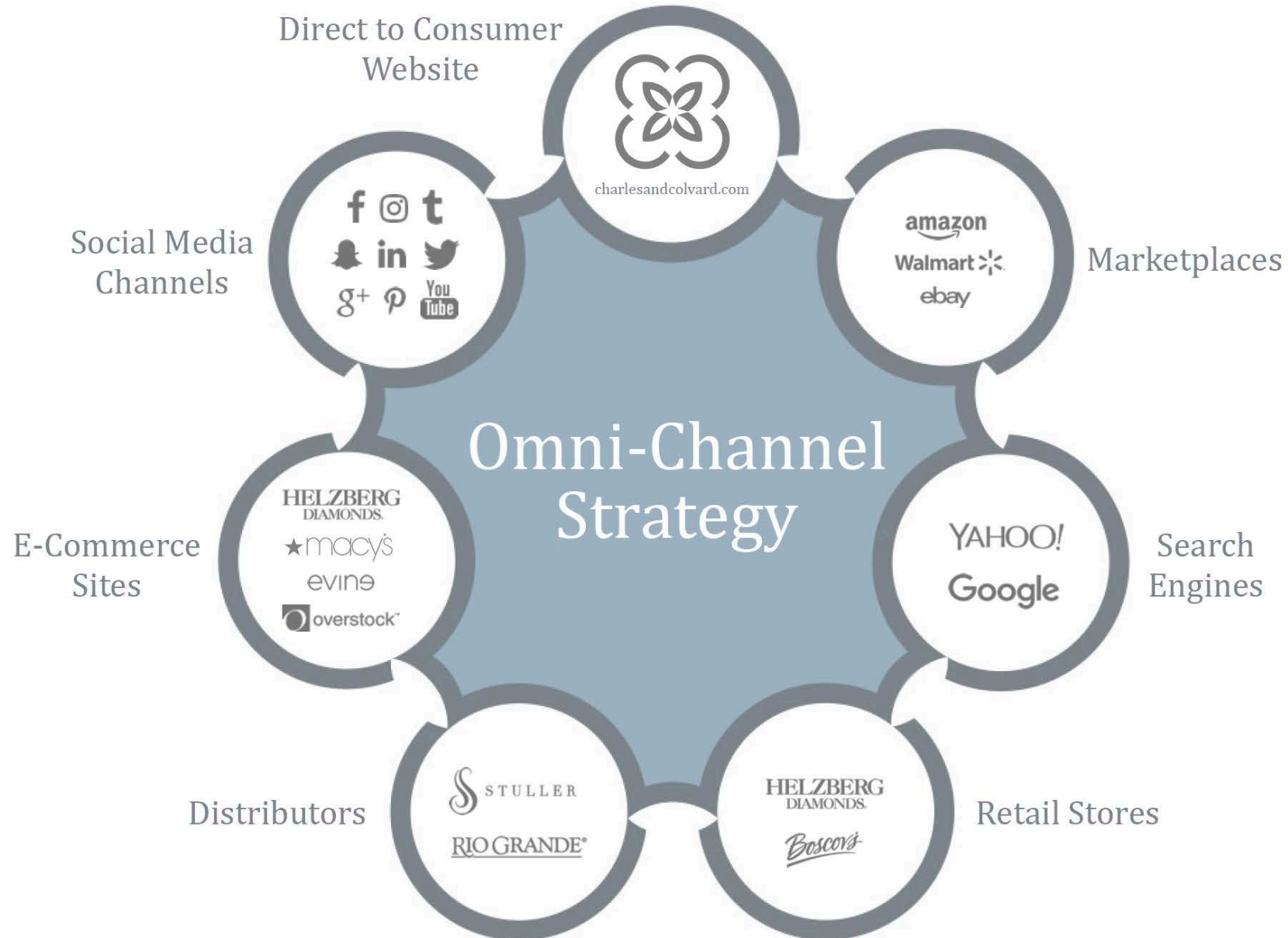
**62%** of millennials say that if a brand engaged with them on social networks, they are more likely to become a loyal customer<sup>6</sup>

*Brands*

**80%** of millennials prioritize making the world a better place, and gravitate toward brands that live this vision<sup>7</sup>

*Marketplaces*

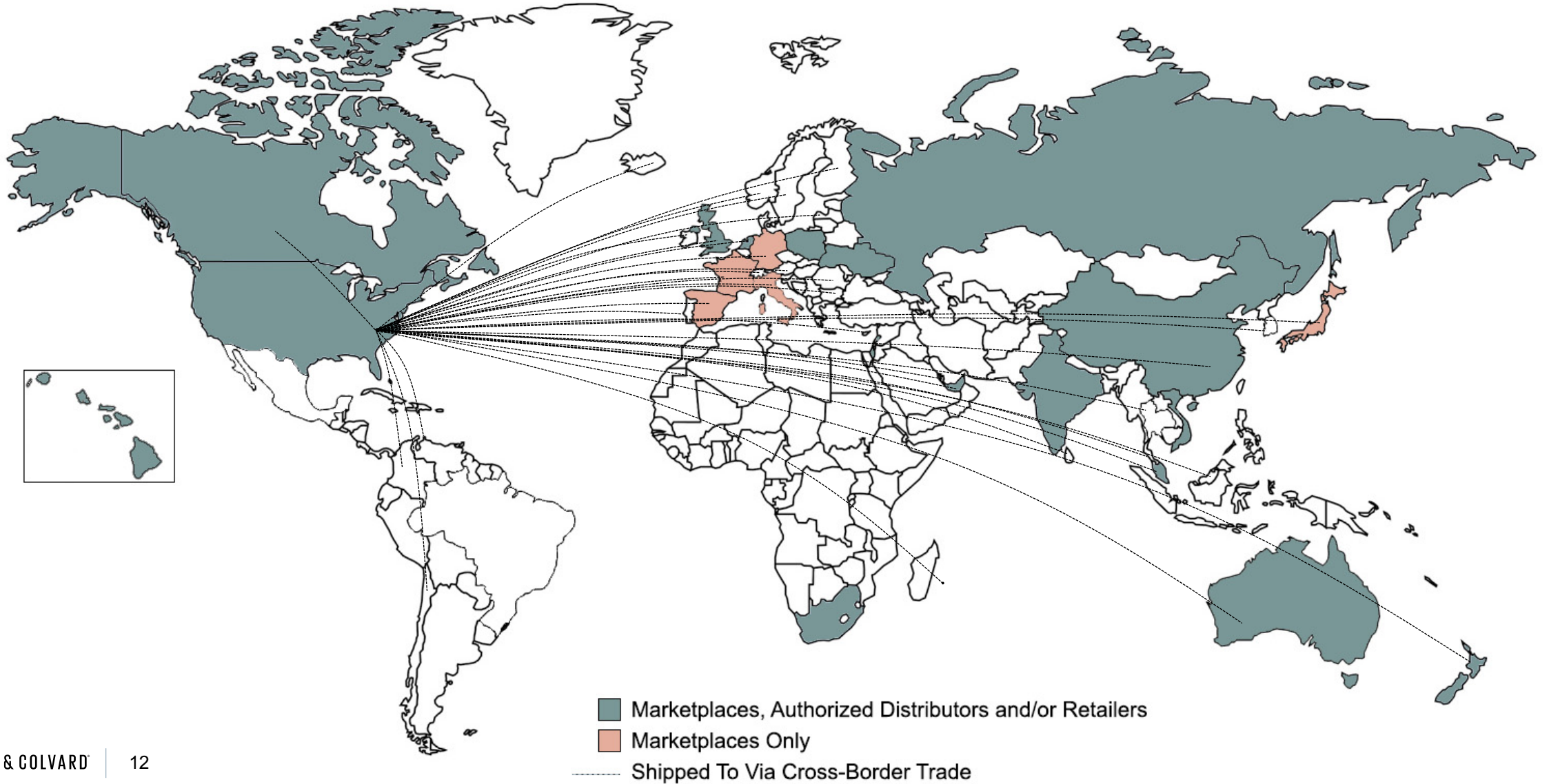
**79%** of millennials have made a purchase on Amazon within the last month<sup>8</sup>



























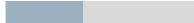







## International Sales Reach





# New Channel Investments and ROI

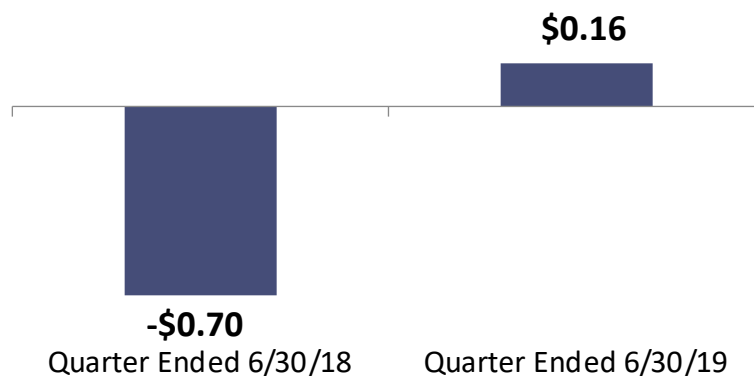
	Cross-Border Trade (CBT)	Marketplaces	Drop-Ship Retailers	Brick-and-Mortar Retailers
Strategy	Drive international buyers to transact directly on our U.S. website in their local currency	Provide our product inventory on established marketplaces worldwide	Present our product inventory on established retailers' 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>



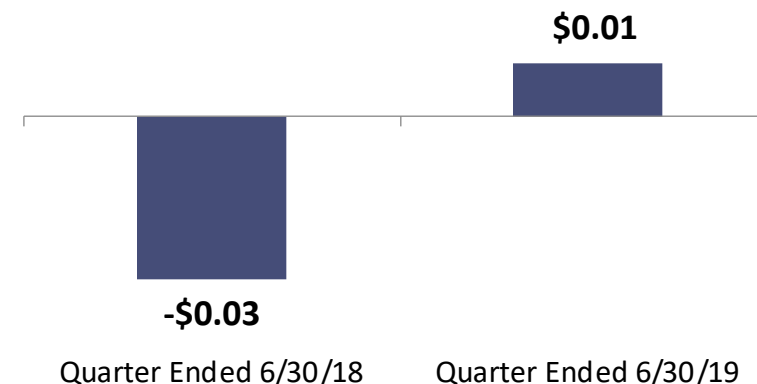
# Net Income & Earnings Per Share

Q4 FY2019 & Fiscal Year Ended June 30, 2019

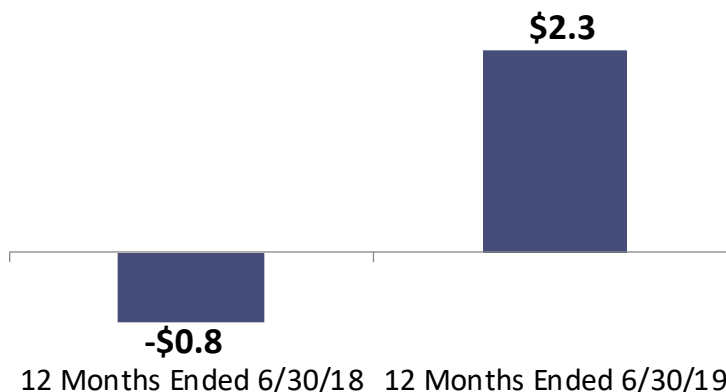
## Net Income (\$mm)



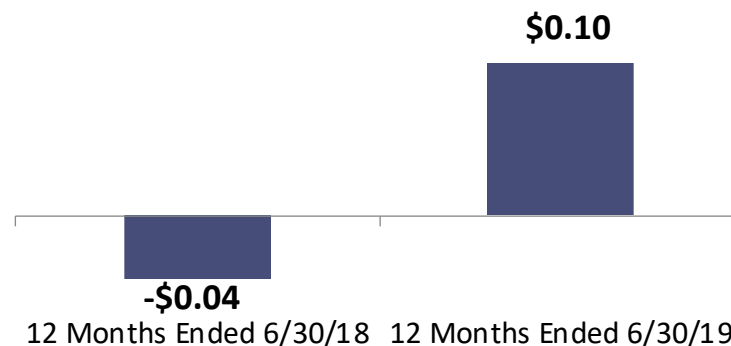
## Net Income Per Diluted Share



## Net Income (\$mm)



## Net Income Per Diluted Share

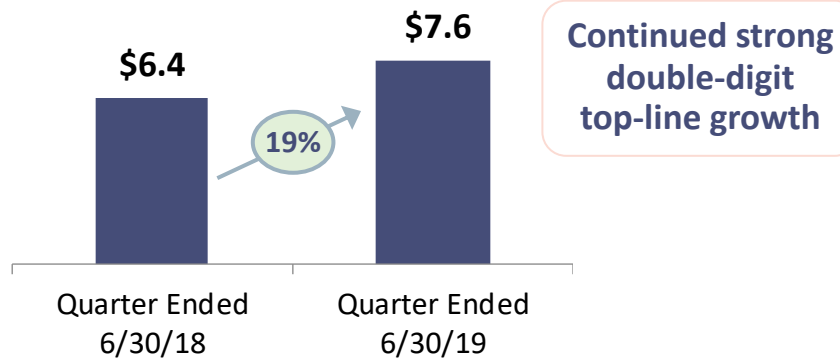




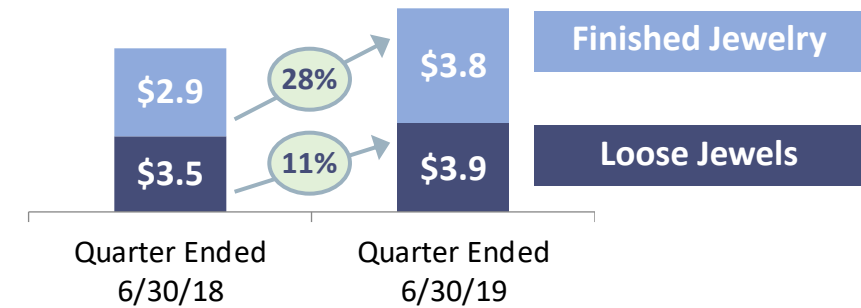


## Net Sales – Q4 FY2019

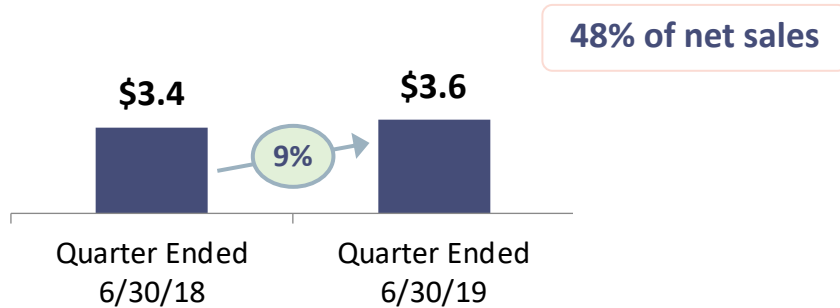
### Net Sales (\$mm)



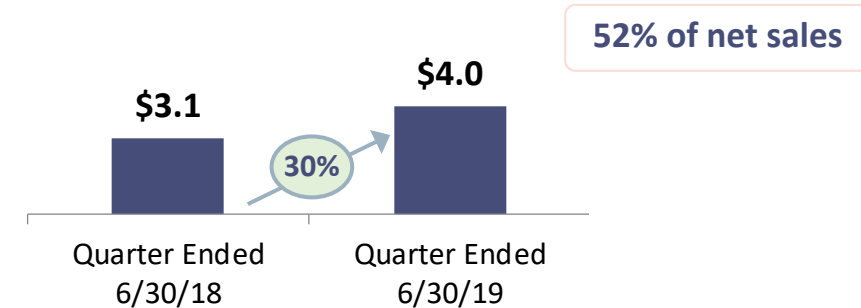
### Loose Jewel & Finished Jewelry Net Sales (\$mm)



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



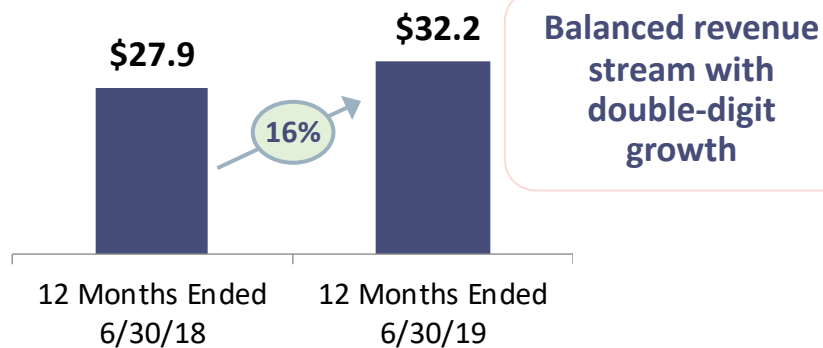
### Net Sales from Traditional Segment (\$mm)



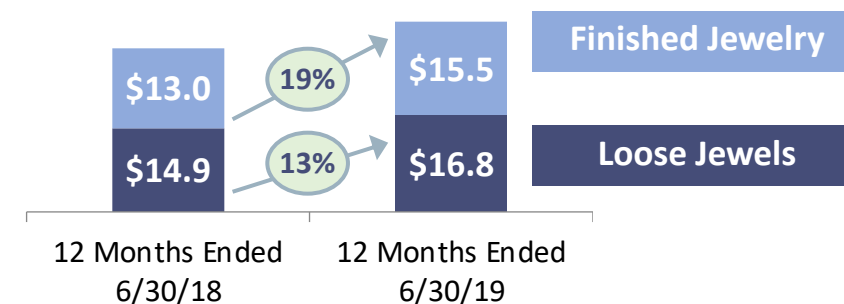


# Net Sales – Fiscal Year Ended June 30, 2019

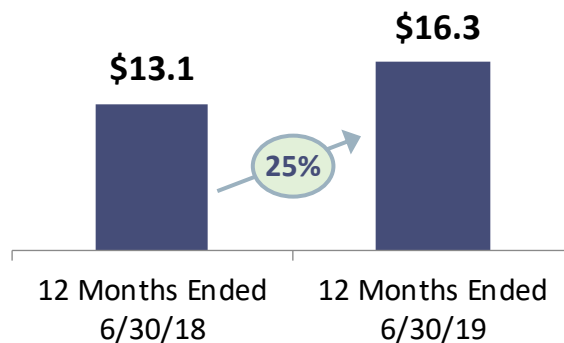
## Net Sales (\$mm)



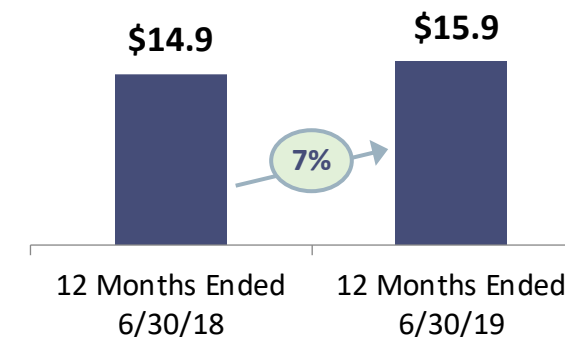
## Loose Jewel & Finished Jewelry Net Sales (\$mm)



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



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





## 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







# 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 16%
- Over 850,000 insider shares purchased since 2016

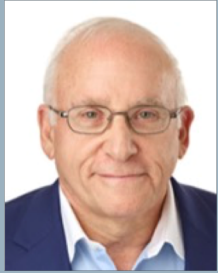
## Recent accomplishments

- Fiscal Year End 2019 net sales of \$32.2 million
- Traditional segment net sales increased 30% in Q4 2019
- Finished Jewelry net sales increased 28% in Q4 2019
- charlesandcolvard.com net sales grew 30% in Q4 2019
- Fourth consecutive quarter of profitability with FY2019 net income of \$2.3 million

## Fiscal Year 2020 Initiatives

- Expansion of Brand Awareness
- International Sales Reach
- Product Evolution
- Enhanced Customer Experience
- Corporate Social Responsibility

# Our Team



**Neal Goldman**  
Chairman of the  
Board of Directors



**Suzanne Miglucci**  
President & Chief  
Executive Officer



**Clint J. Pete**  
Chief Financial  
Officer &  
Treasurer



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



**Tom Bergan**  
Senior Vice  
President of  
Sales



**John Lane**  
Vice President,  
Marketing

-----  
*President  
Goldman Capital  
Management, Inc.*

*Largest Shareholder*

-----  
*Previous Experience:  
Chief Marketing  
Officer*

channeladvisor®



-----  
*Previous Experience:  
Director of  
Business Planning*

ORACLE



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



-----

RICHLINE GROUP

-----  
*Previous Experience:  
Director of  
E-Commerce  
Merchandising*



-----  
*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**

**CONTACT US:**

Jenny Kobin, Investor Relations Advisory Solutions  
IR@charlesandcolvard.com  
800.695.0650

Clint J. Pete, Chief Financial Officer, Charles & Colvard  
cpete@charlesandcolvard.com  
919.468.0399 ext. 354