CHARLES & COLVARD®

Q3 FY 2023 Earnings

CONFERENCE CALL PRESENTATION

Nasdaq: CTHR

Forward Looking Statements

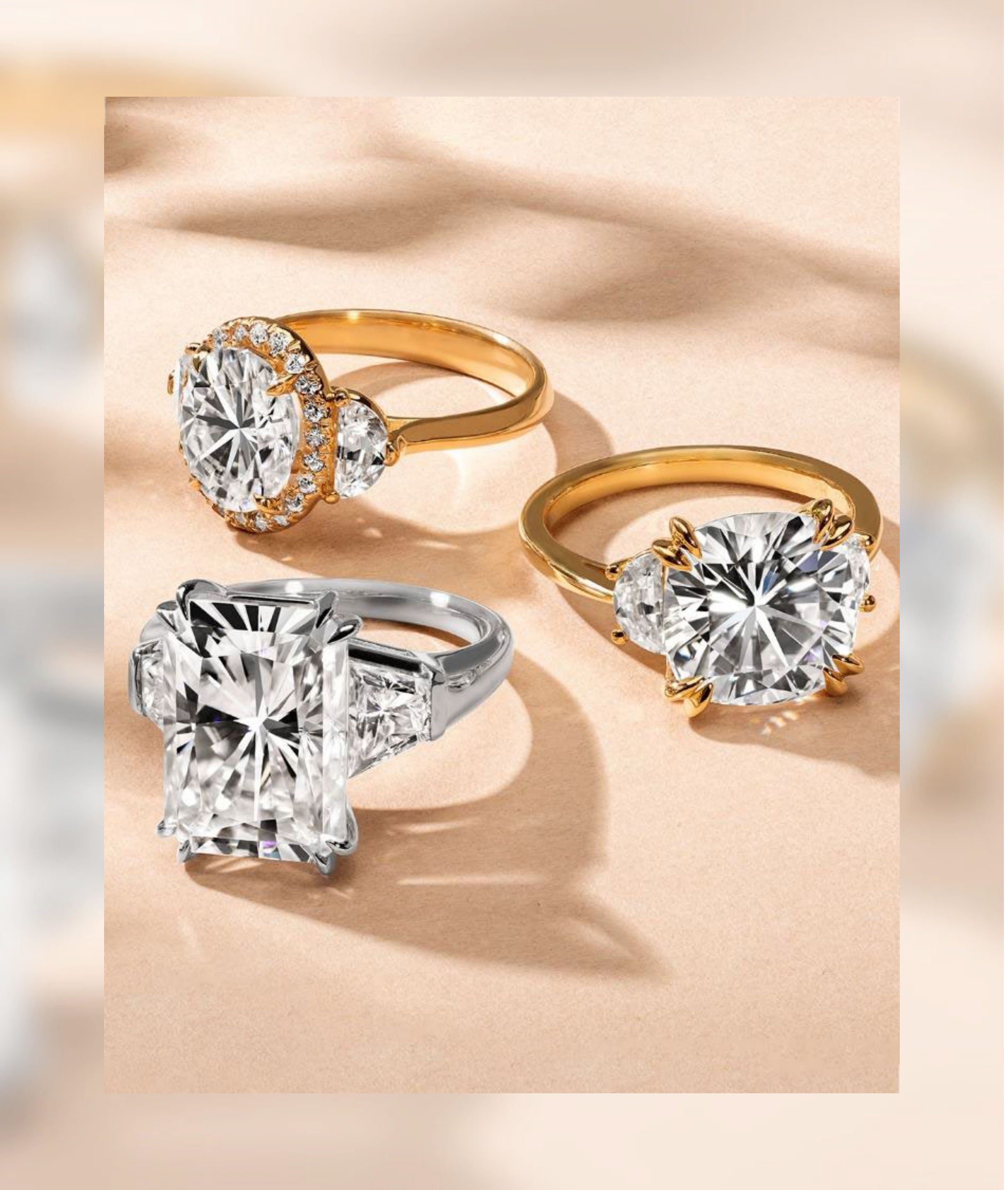
This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements expressing expectations regarding our future and projections relating to our products, sales, 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) we face intense competition in the worldwide gemstone and jewelry industry; (4) 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; (5) constantly evolving privacy regulatory regimes are creating new legal compliance challenges; (6) we are subject to certain risks due to our international operations, distribution channels and vendors; (7) 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; (8) we are currently dependent on a limited number of distributor and retail partners in our Traditional segment for the sale of our products; (9) we may experience quality control challenges from time to time that can result in lost revenue and harm to our brands and reputation; (10) seasonality of our business may adversely affect our net sales and operating income; (11) 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; (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 failure to maintain compliance with The Nasdaq Stock Market’s continued listing requirements could result in the delisting of our common stock; (26) some anti-takeover provisions of our charter documents may delay or prevent a takeover of our Company; and (27) 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. 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; 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, 2022 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 Securities and Exchange Commission, or SEC, that discuss other factors relevant to our business.

Agenda

- Q3 FY 2023 - CEO Overview
- Q3 FY 2023 - Financial Summary
- Wrap Up
- Q&A

Q3 FY 2023 - CEO Overview



Recent Industry Drivers

- Consumers remain highly educated and aware of practices and resources used to create fine jewelry.
- Lab-grown market continues to grow, estimated CAGR of 9.8% by 2031.
- ‘Surge of engagements’ in 2024/25 anticipated.
- Sustainability shift well underway towards more ‘sustainable purchase habits’ — not a fad anymore.
- Changes in consumer buying habits more towards experiential purchases on interactive shoppable commerce.
- For Charles & Colvard: owned properties (charlesandcolvard.com and moissaniteoutlet.com), virtual consultations, retail Signature Showroom, and development of a long-form shoppable streaming capability.

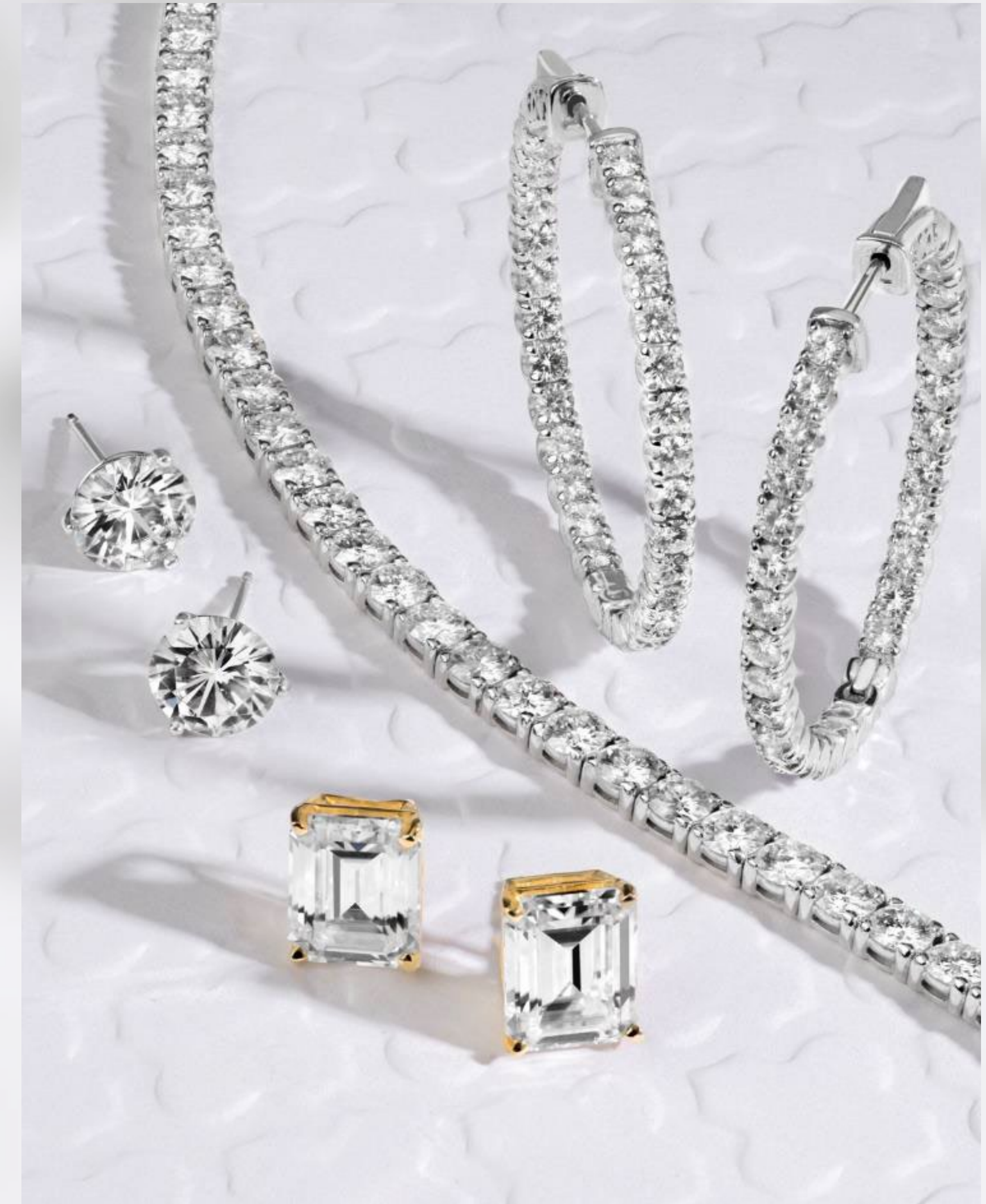
A Quarter of Continued Strategic Investment

- Q3 was one of continued strategic investment to resonate with broader segment of total achievable market.
- Investments are for setting up Charles & Colvard for long-term success by positioning the Company to enhance brand experience and meet consumer needs.
- Focus on long-term growth and stability of Company's product brands. Improving brand presence and DTC relationships.

Strategic Product Development

- Company offering a broad range of assorted fine jewelry to meet consumer demand, especially during Q3:

  - Launched 55 new designs of patented Signature Collection in engagement rings and wedding bands.
  - Continued to expand Caydia® lab-grown diamond Couture Collection to include additional ring, necklace, earring and bracelet styles.
  - Expanded Created Color line of products, featuring Caydia® lab-grown diamonds.
  - Finished fine jewelry products were featured in multiple local and national electronic and print publications, including *The Knot®*, *AC Magazine*, *Insider.com*, *Yahoo!*, *Byrdie.com*, and *Brides Magazine*.



Strategic Focus and Looking Ahead

- Company will continue to focus on: customer-centric initiatives, expansion of product offerings and leveraging unique brand position.

- Expand Caydia® lab grown diamond offerings, including larger carat total weights to respond to consumer demand;
- Shift Forever One™ moissanite assortment to bolster value propositions;
- Continue to evaluate competitive landscape and the value proposition between moissanite and lab grown diamonds and overall impact to our business and position the Company accordingly;
- Make calculated investments in our DTC web properties, video streaming and broadcast capabilities to better reach consumers;
- Seek to form new alliances and strategic partnerships as the industry consolidates.

- Online Channels segment representing 70% of revenue in Q3:23 and continues to present a long-term opportunity, and when near-term challenges subside, investments today will put company in a solid position to capture market share.

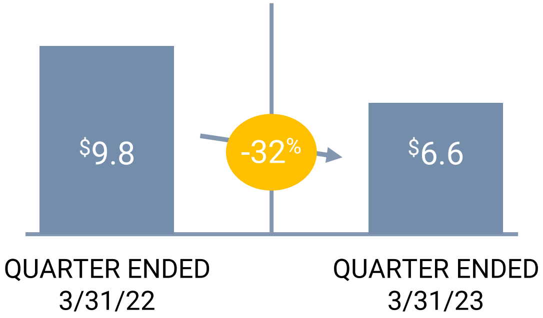
Q3 FY 2023 - Financial Summary

Clint J. Pete, CFO

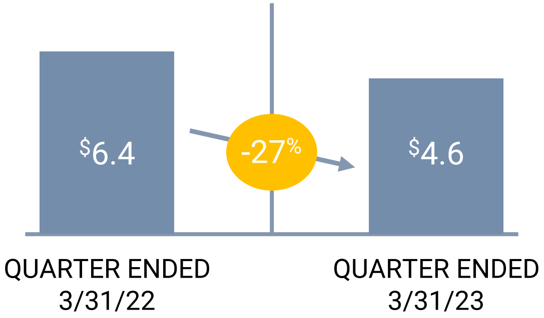
Net Sales Analysis

Q3 FY 2023 vs. Q3 FY 2022

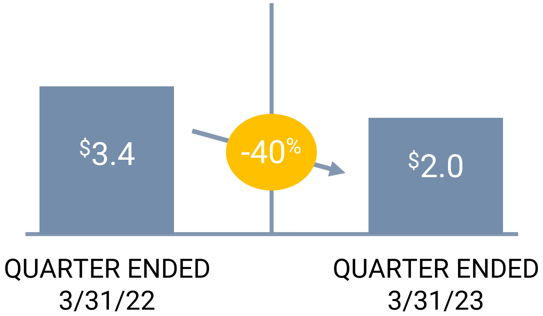
Net Sales ($M)



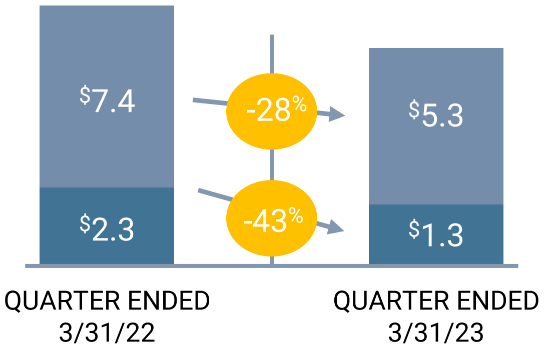
Net Sales from Online Channels Segment ($M)



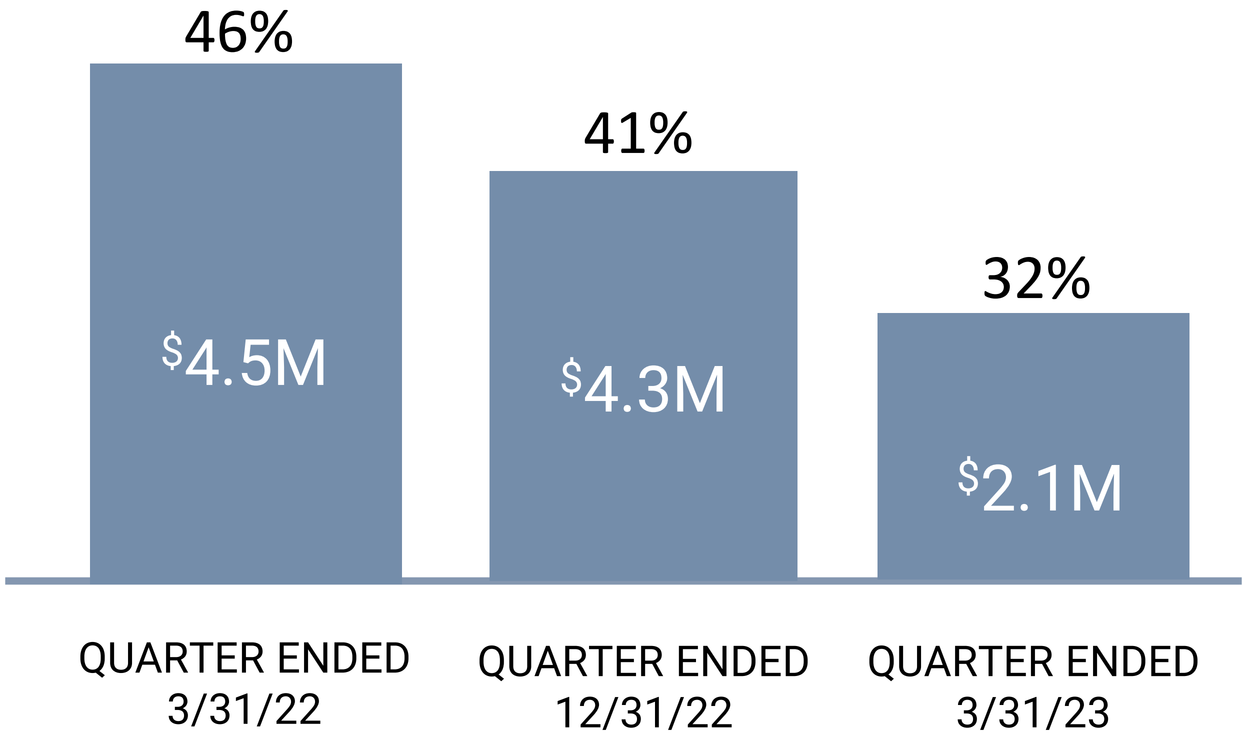
Net Sales from Traditional Segment ($M)



Finished Jewelry & Loose Jewel Net Sales ($M)

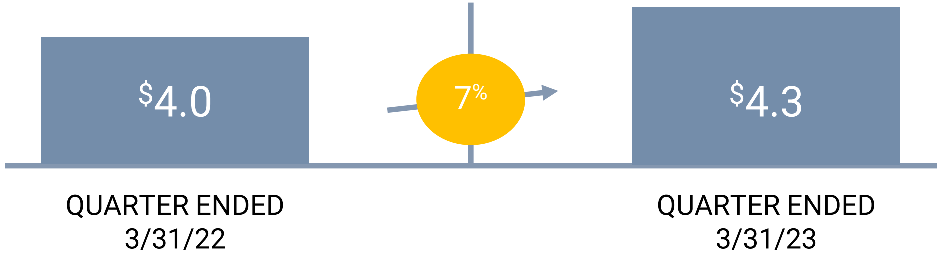


Gross Margin % and Gross Profit
($ in Millions)

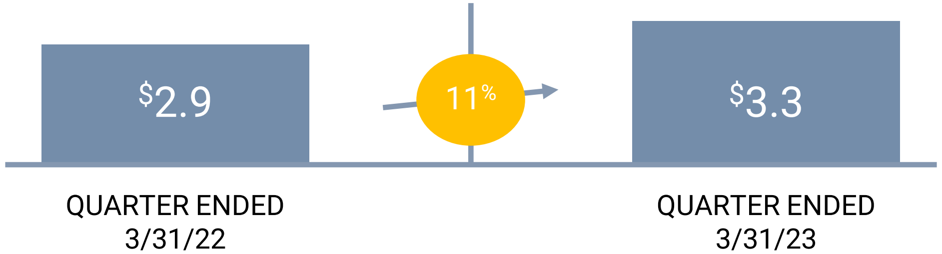


Operating Expenses

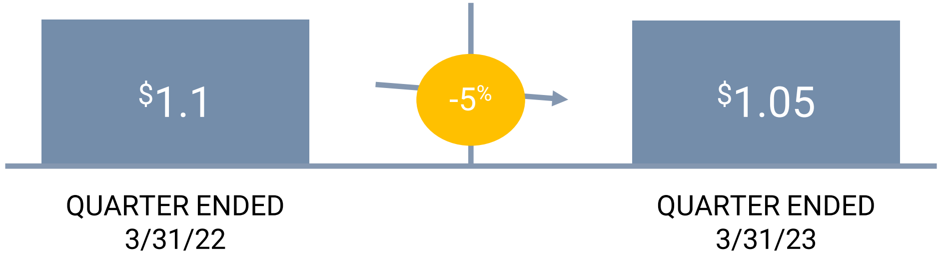
Total Operating Expenses ($M)



Sales & Marketing Expenses ($M)

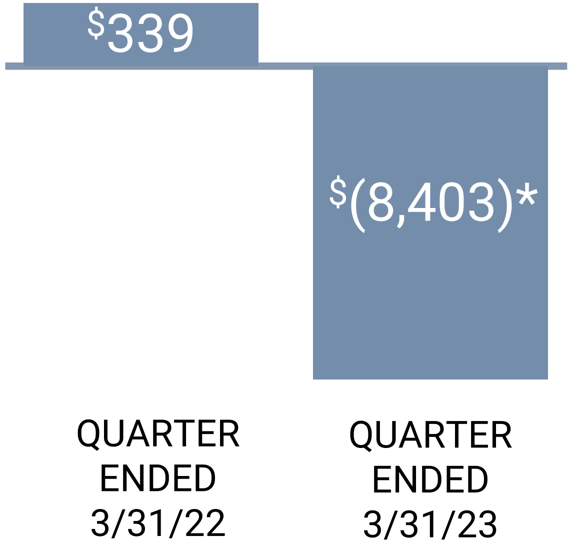


General & Administrative Expenses ($M)

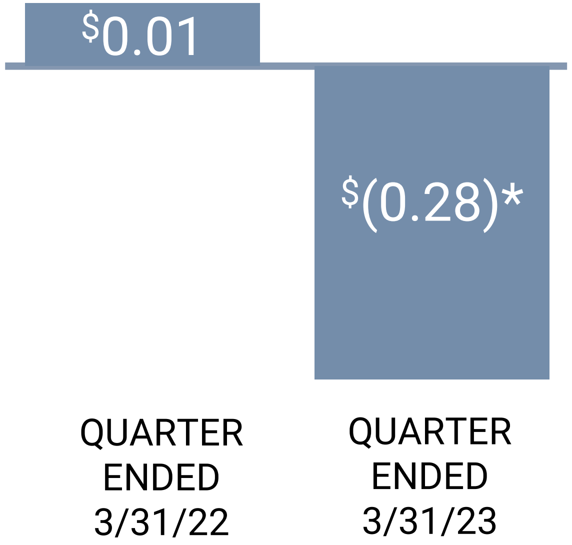


Net Income (Loss) and Earnings (Loss) Per Share

Net Income (Loss)
($thousands)



Net Earnings (Loss)
Per Diluted Share



Note: Income tax expense of $6,300,000 for the quarter ended 3/31/23 vs income tax expense of $78,480 for the quarter ended 3/31/22. Increase in income tax expense for the current quarter is due to the establishment of the deferred tax valuation allowance in 3Q 2023 for $6.3 million.

Balance Sheet Summary

Q3 FY 2023

	12/31/22	3/31/23
TOTAL CASH[1]	$17.0	$16.0
INVENTORY	$35.0	$33.3
TOTAL ASSETS[2]	$66.9	$56.4
DEBT	$0	$0
TOTAL LIABILITIES	$9.6	$7.4
SHAREHOLDERS' EQUITY	$57.3	$49.0
SHARES OUTSTANDING	30.5	30.5
BOOK VALUE PER SHARE	$1.87	$1.60

[1] Cash, cash equivalents and restricted cash

[2] 3/31/2023 lower to 12/31/2023 due to the establishment of a deferred tax asset valuation allowance on our net deferred tax assets of $6.3 million in Q3 2023

(in millions, except per share)


Q&A