

Nasdaq: CTHR



CHARLES & COLVARD®

Q1 Fiscal 2020 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; 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; our ability to fulfill orders on a timely basis; dependence on a limited number of distributor and retail partners in our Traditional segment; general economic and market conditions, including the current economic environment; risks of conducting business in foreign countries; dependence on our exclusive supply agreement with Cree, Inc. for the supply of our silicon carbide crystals for the foreseeable future; 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.

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CHARLES & COLVARD®

- 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^{1,2}
- Global online fine jewelry \$30B by 2020^{1,2}
- 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^{1,2}

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

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



Unprecedented Quality

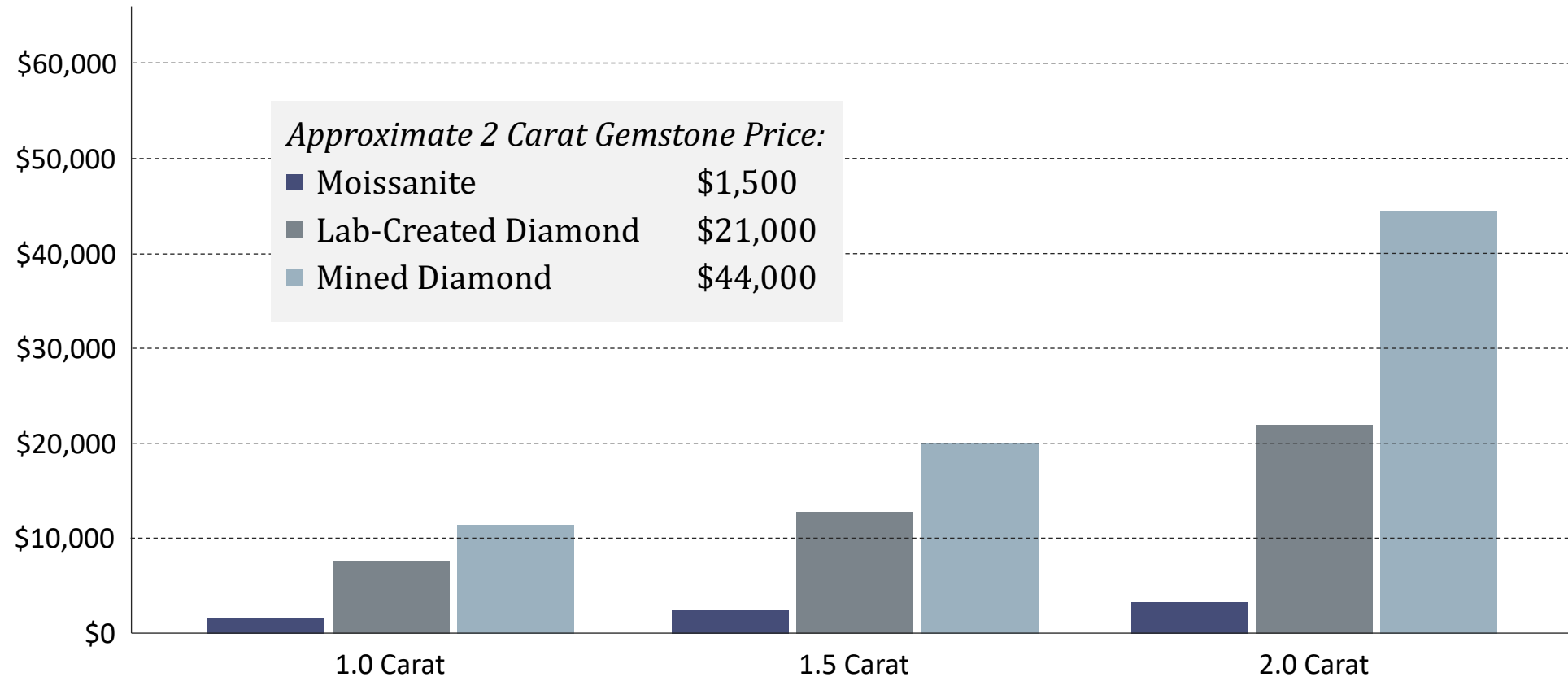
Gemstone Comparison Guide

	<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.



Product Evolution



Platinum



Signature Collection



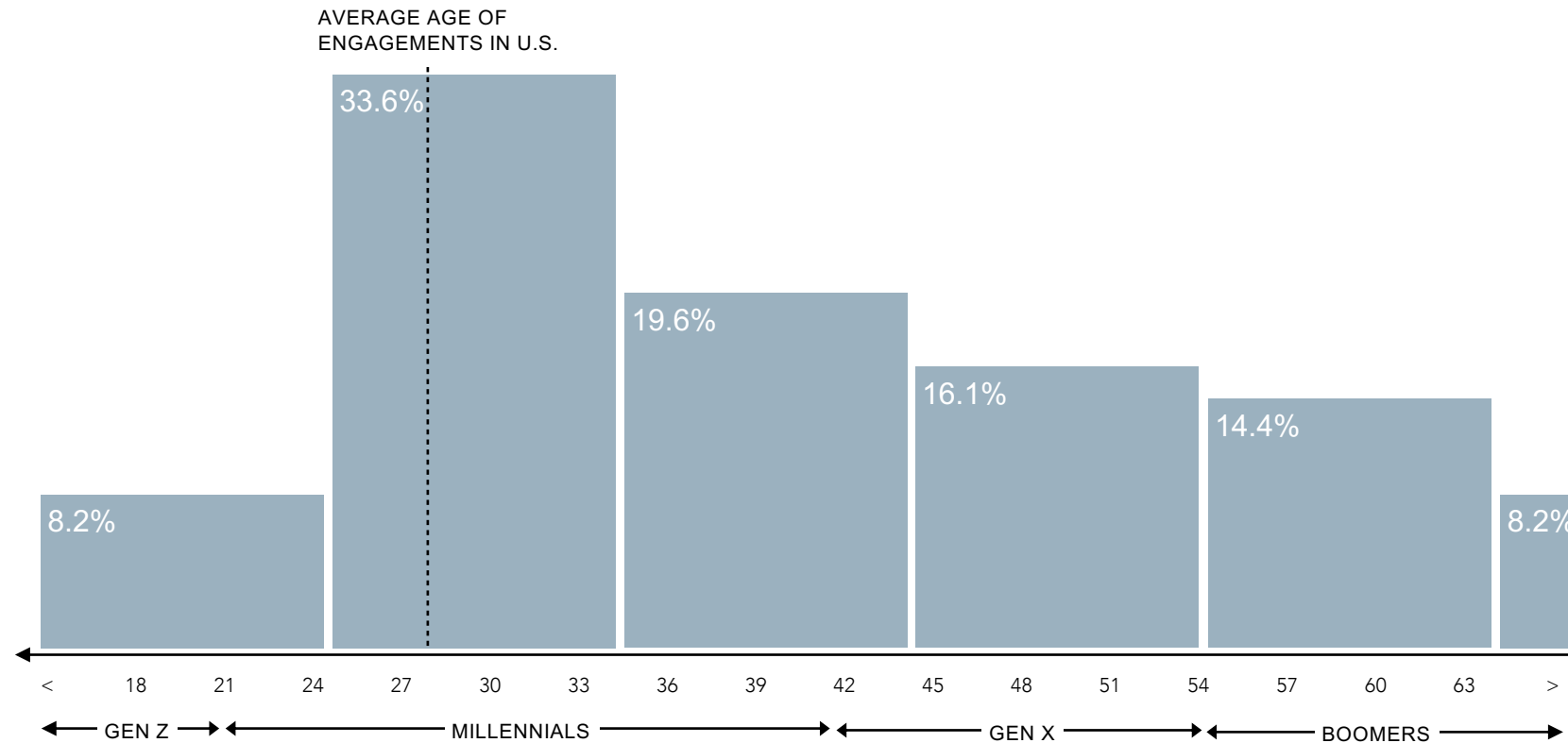
Tantalum Men's Bands



New Stone Shapes & Colors



Demographics of the Charles & Colvard Customer



Primary Motivators:



Beauty



Value



Social Responsibility

The New Luxury Buyer

PURCHASING POWER

45%

of luxury market purchases will be made by Millennials and Generation Z by 2025¹

SOCIAL CONSCIENCE

87%

of Millennials are more willing to purchase a product that has social or environmental benefit²

DIGITAL AND MOBILE

76%

of Millennials browse the internet before making either an online or offline purchasing decision³

VALUE ORIENTED

2/3

of young Americans think an engagement ring should cost less than \$2,500⁴

CONNECTED

72%

of Millennials say that if a brand engaged with them on social networks, they are more likely to become a loyal customer⁵

¹ MVI Marketing Consumer Research Study (Fall 2018)

² CNBC Article – Quoting Bank of America Merrill Lynch analyst Ashley Wallace (June 2016)

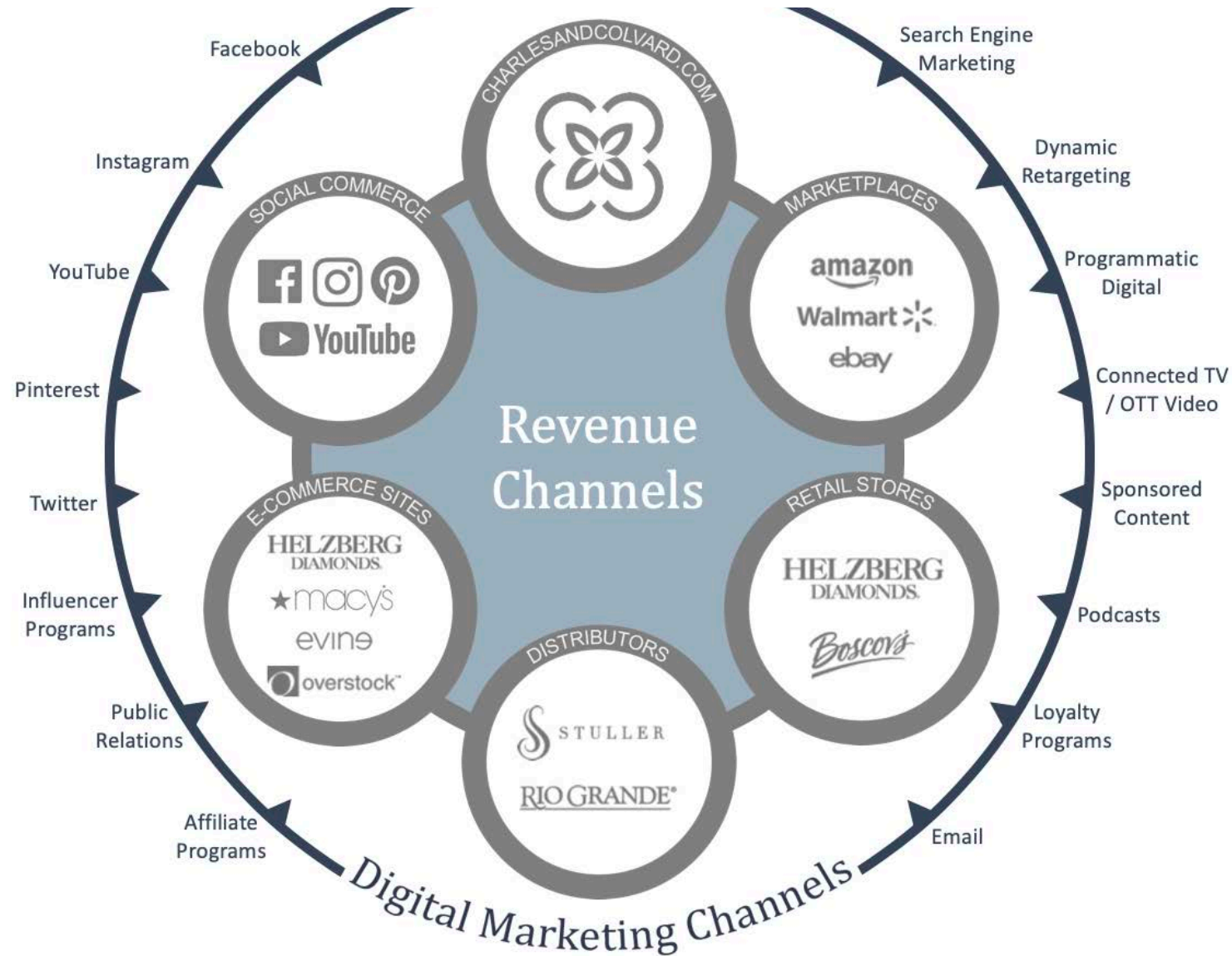
³ The Millennial Shopping Report (Summer 2017)

⁴ TD Ameritrade: Young Americans & Marriage Survey (May 2019)

⁵ TELUS International / Harris Insight Survey(Summer 2018)























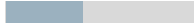







Omni-Channel Strategy



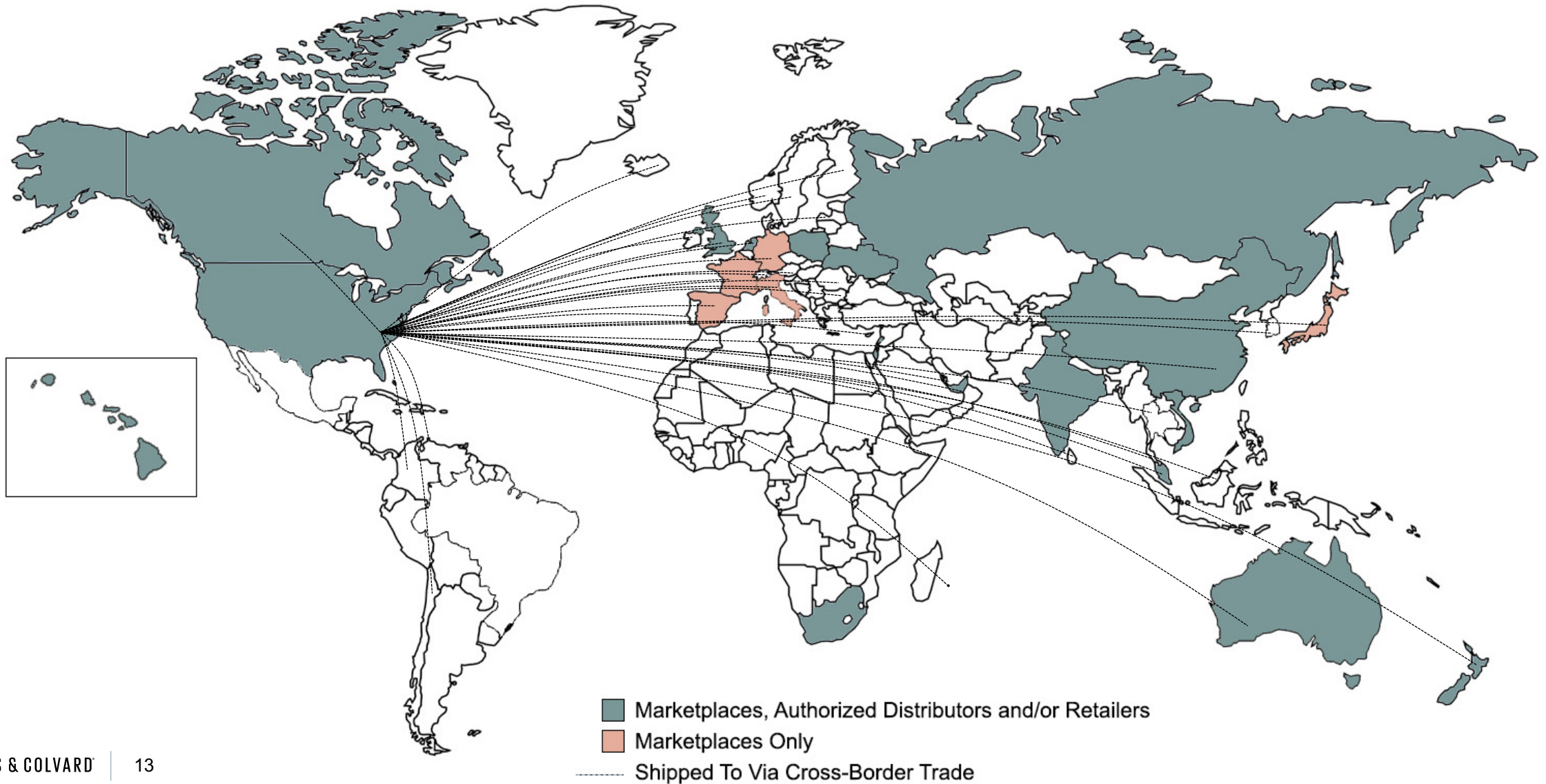


New Channel Investments and ROI

	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>



International Sales Reach



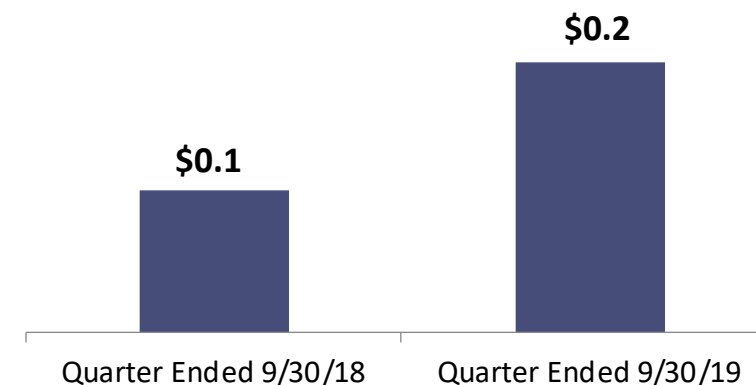


Financial Snapshot: Q1 FY2020

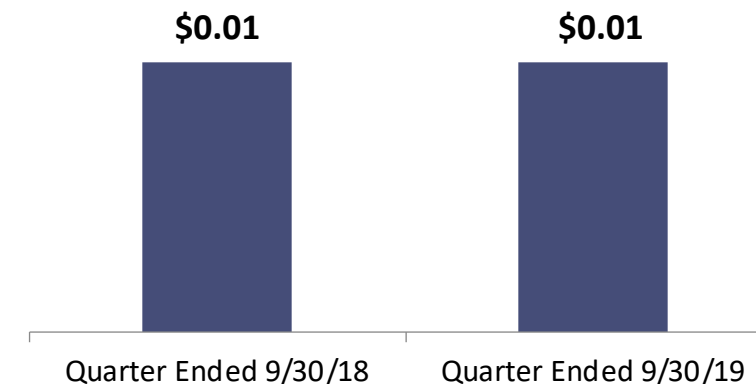
Quarter Highlights*

- Strong gross margin of 49% fueled by e-commerce and Forever One™ jewelry sales
- Online Channels net sales growth of 20% with increased uptake of Moissanite by Charles & Colvard®
- Continued excellent performance of charlesandcolvard.com with 31% net sales growth
- Cross-border trade sales increased 113%
- Expanded space and product selection in key brick-and-mortar retail partners increased sales
- Five consecutive quarters of profitability
- Net income of \$0.01 per diluted share

Net Income (\$mm)



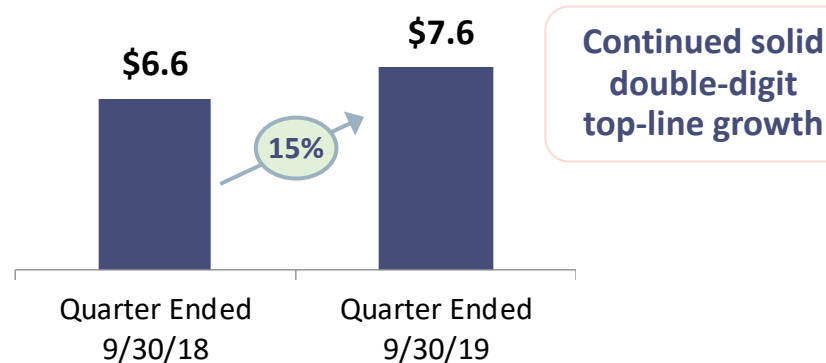
Net Income Per Diluted Share



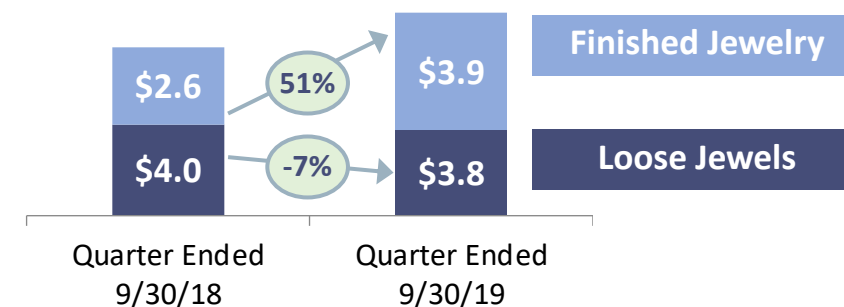


Net Sales – Q1 FY2020

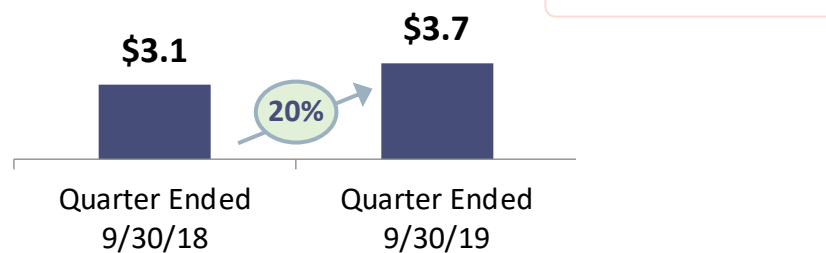
Net Sales (\$mm)



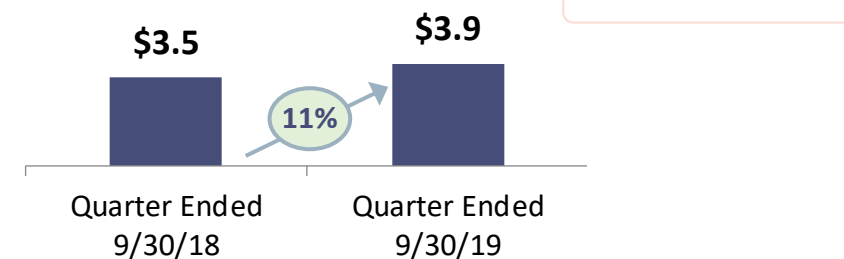
Finished Jewelry & Loose Jewel Net Sales (\$mm)



Net Sales from Online Channels Segment (\$mm)



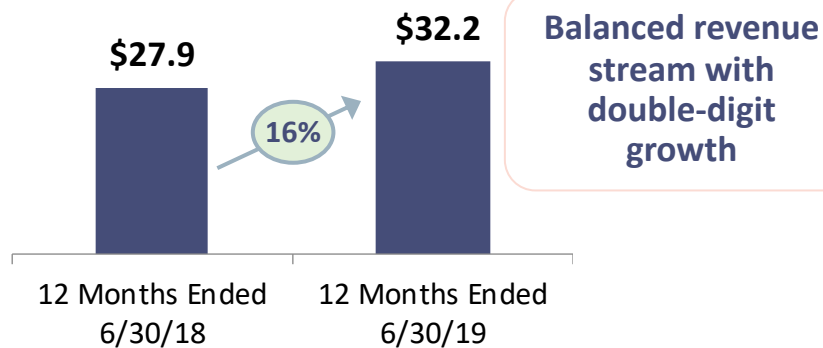
Net Sales from Traditional Segment (\$mm)



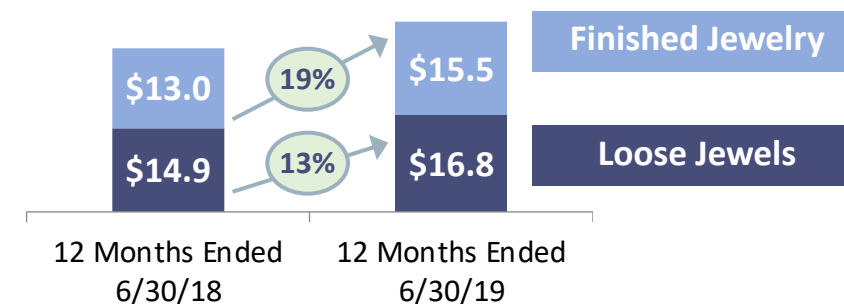


Net Sales – Fiscal Year Ended June 30, 2019

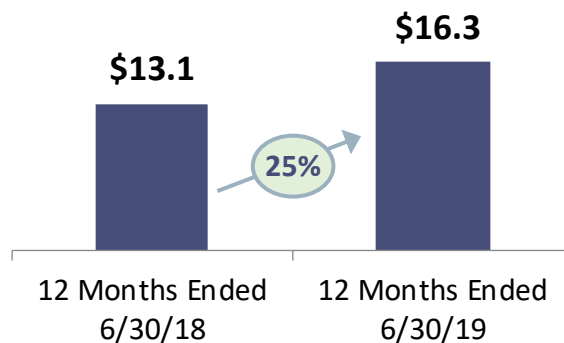
Net Sales (\$mm)



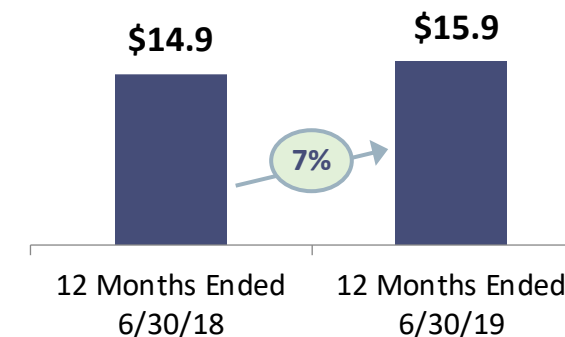
Loose Jewel & Finished Jewelry Net Sales (\$mm)



Net Sales from Online Channels Segment (\$mm)



Net Sales from Traditional Segment (\$mm)





Balance Sheet Summary Snapshot

(millions, except per share)



	6/30/19	9/30/19
Total Cash ¹	\$13.0	\$12.6
Inventory	\$33.7	\$36.0
Total Assets	\$51.1	\$54.3 ²
Total Debt	\$0.0	\$0.0
Total Liabilities	\$5.4	\$7.2 ²
Shareholders' Equity	\$45.7	\$47.1
Shares Outstanding	28.0	28.9
Book Value Per Share	\$1.63	\$1.62



¹ Cash, cash equivalents and restricted cash

² The Company adopted the new lease accounting guidance on 7/1/19, as required, which resulted in increases in total assets of \$0.9MM and total liabilities of \$1.2MM as of 9/30/19.

Investment Summary

Large and expanding
global market for
lab-created gemstones

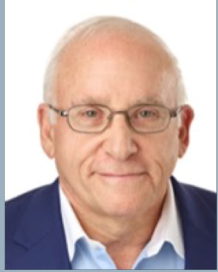
High-quality,
ethically-sourced
product sold through
multiple channels

E-commerce oriented
customer base of
Millennials and Gen Z

Double-digit revenue
and net income
growth trends

Strong direct-to-
consumer growth fueling
40-50% gross margins

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*

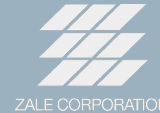


RICHLINE GROUP



Tom Bergan
Senior Vice
President of
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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