

Nasdaq: CTHR



**CHARLES & COLVARD<sup>®</sup>**

*Q4 & Full Year Fiscal 2020 Earnings  
Conference Call Presentation*





# 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, (1) our business, financial condition and results of operations could continue to be adversely affected by an ongoing COVID-19 pandemic and related global economic 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 execution of our business plans could significantly impact our liquidity; (4) our business and our results of operations could be materially adversely affected as a result of general and economic conditions; (5) 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; (6) we face intense competition in the worldwide gemstone and jewelry industry; (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 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; (11) our failure to maintain compliance with The Nasdaq Stock Market’s continued listing requirements could result in the delisting of our common stock; (12) we may experience quality control challenges from time to time that can result in lost revenue and harm to our brands and reputation; (13) seasonality of our business may adversely affect our net sales and operating income; (14) our operations could be disrupted by natural disasters; (15) our loan, pursuant to the Paycheck Protection Program (“PPP”), under the Coronavirus Aid, Relief, and Economic Security Act, as administered by the U.S. Small Business Administration, or the SBA, may not be forgiven or may subject us to challenges and investigations regarding qualification for the loan; (16) 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; (17) negative or inaccurate information on social media could adversely impact our brand and reputation; (18) we depend on an exclusive supply agreement with Cree, Inc., for substantially all of our silicon carbide (“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; (19) sales of moissanite jewelry could be dependent upon the pricing of precious metals, which is beyond our control; (20) our current customers may potentially perceive us as a competitor in the finished jewelry business; (21) 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; (22) a failure of our information technology infrastructure or a failure to protect confidential information of our customers and our network against security breaches could adversely impact our business and operations; (23) if we fail to evaluate, implement, and integrate strategic acquisition or disposition opportunities successfully, our business may suffer; (24) governmental regulation and oversight might adversely impact our operations; and (25) some anti-takeover provisions of our charter documents may delay or prevent a takeover of our company, in addition to the other risks and uncertainties described in our filings with the U.S. Security and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the fiscal year ended June 30, 2020 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.

# Agenda

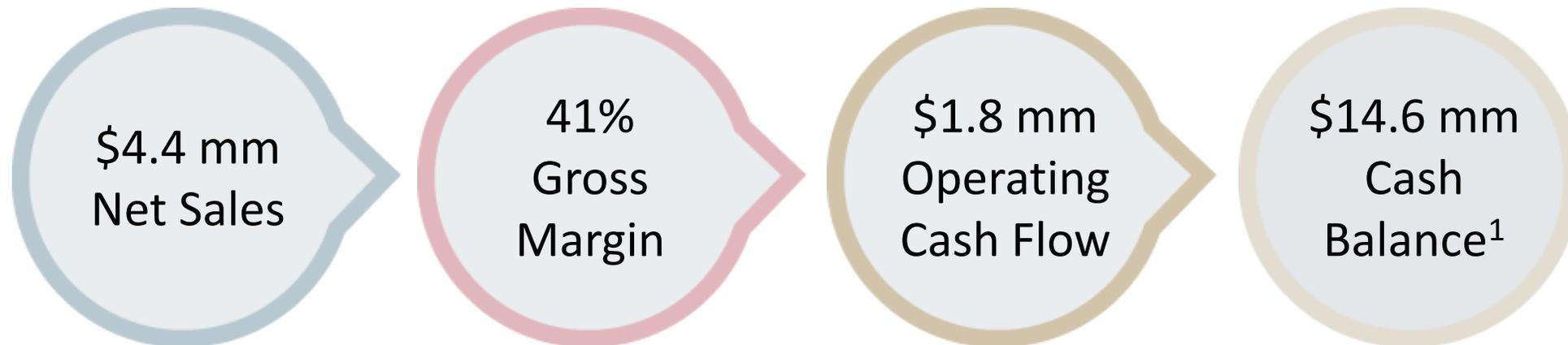
- Business Highlights
- Q4 FY 2020 Financial Summary
- FY 2021 Strategic Initiatives
- Q&A





## Q4 FY 2020: Capitalizing on Our Core Strengths

- Right-sized the business for COVID-19 environment
- Defined and executed go-forward resource plan
- Strengthened our capital structure and liquidity
- Worked with suppliers and vendors to restructure agreements
- Leveraged our direct-to-consumer online channels to capture increased e-commerce sales



The image features three diamond engagement rings displayed on light blue, square pedestals. The top ring is set in white metal with a round brilliant-cut center stone and a pavé band. The bottom-left ring is set in rose gold with a round brilliant-cut center stone and a simple band. The bottom-right ring is set in rose gold with a round brilliant-cut center stone, a pavé halo, and a pavé band. The background is a light blue gradient with several translucent, faceted diamond shapes scattered across it.

## Financial Summary

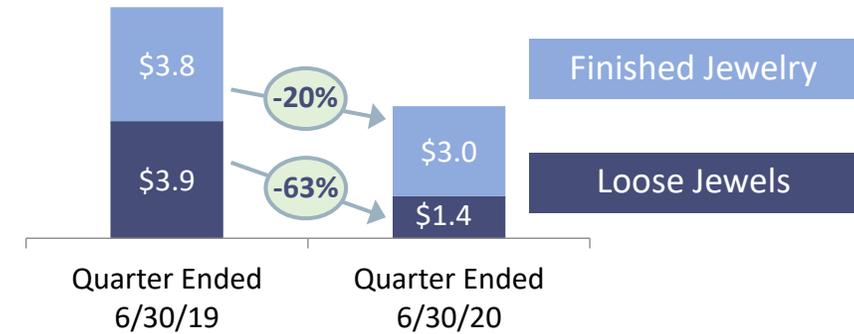


# Q4 FY 2020 Net Sales

## Net Sales (\$mm)



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



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

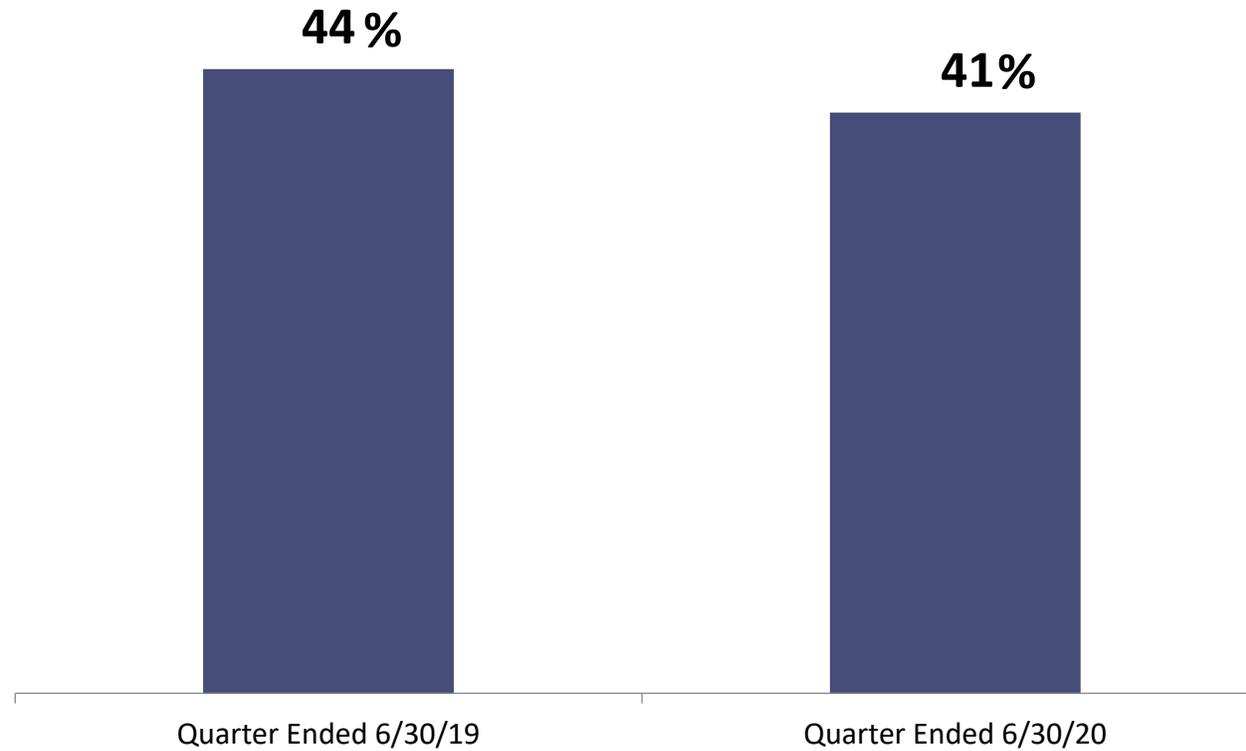


## Net Sales from Traditional Segment (\$mm)





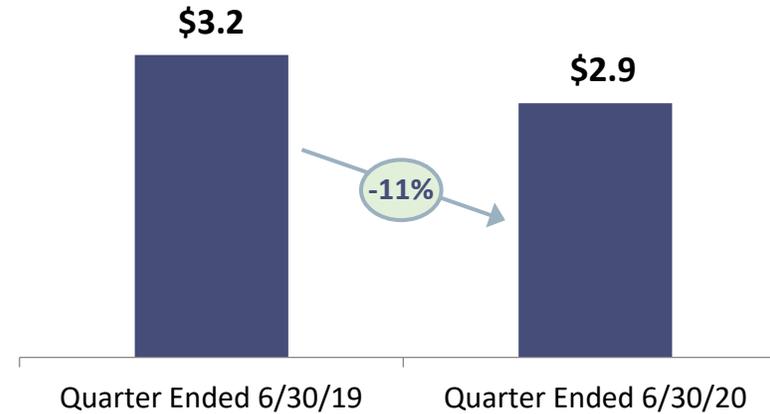
## Q4 FY 2020 Gross Margin



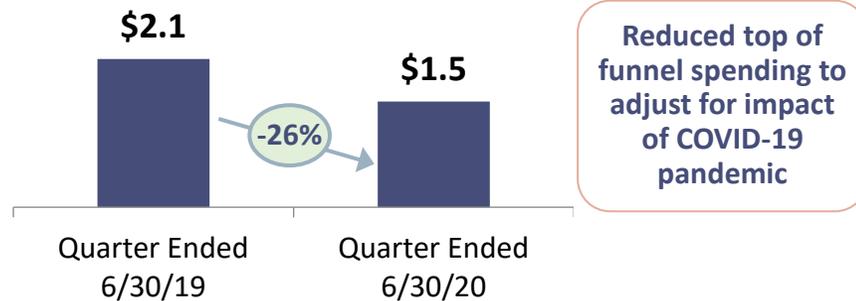


# Q4 FY 2020 Operating Expenses

## Total Operating Expenses (\$mm)



## Sales & Marketing Expenses (\$mm)



## General & Administrative Expenses (\$mm)

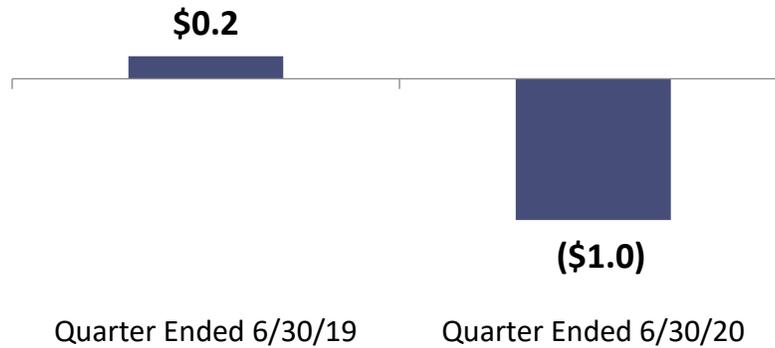


<sup>1</sup> Q4 FY 2020 non-recurring expense of \$580,000 related to severance and stock-based compensation expense.

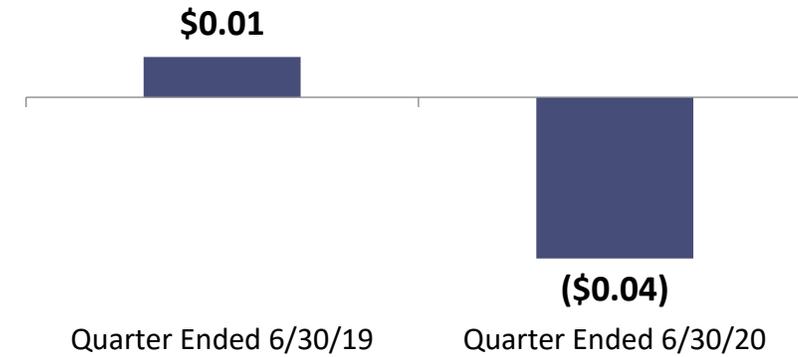


# Net Income (Loss) & Earnings Per Share Q4 FY 2020 & Fiscal Year Ended June 30, 2020<sup>1</sup>

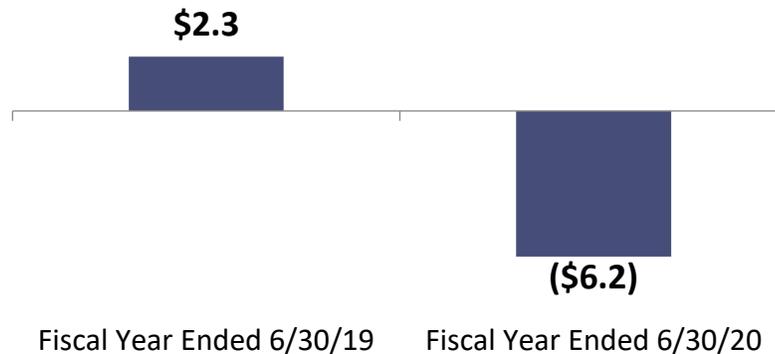
Net Income (Loss) \$mm



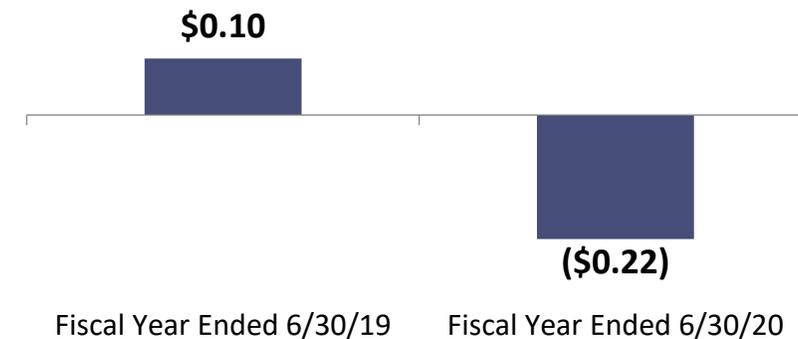
Net Income (Loss) Per Diluted Share



Net Income (Loss) \$mm



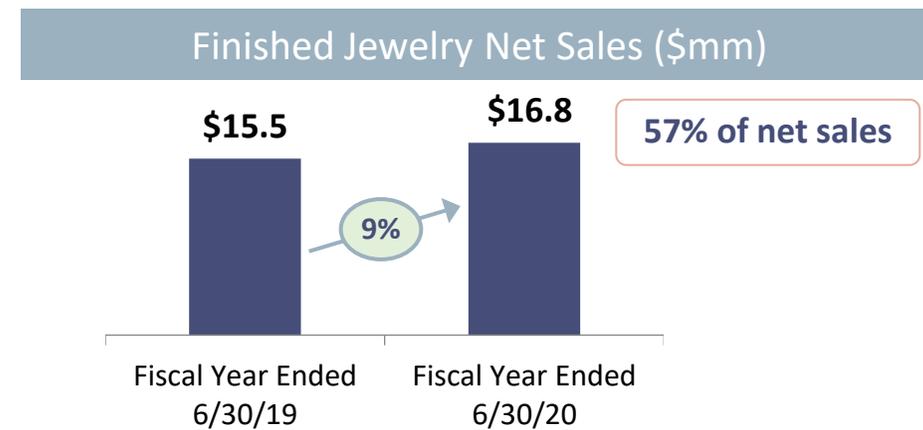
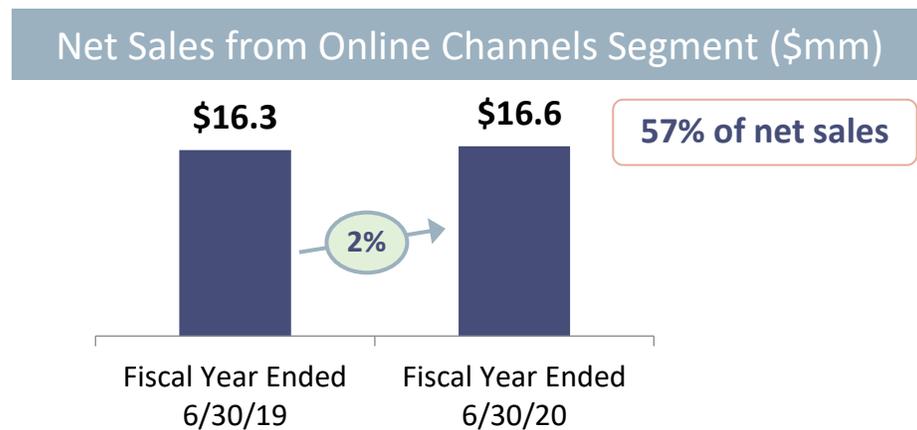
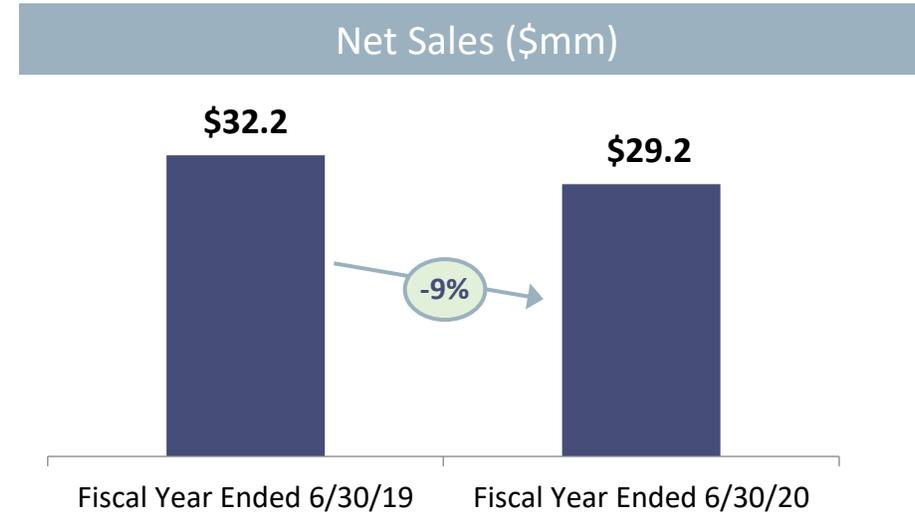
Net Income (Loss) Per Diluted Share



<sup>1</sup> Net loss for the Fiscal Year Ended 6/30/20 included the impact of \$5.3 mm write-off of legacy material inventory.



# FY 2020 Net Sales





## Balance Sheet Summary

(millions, except per share)

	6/30/19	6/30/20
Total Cash <sup>1</sup>	\$13.0	\$14.6
Inventory	\$33.7	\$30.6
Total Assets	\$51.1	\$48.4
Credit Facility	\$0.0	\$0.0
Total Liabilities <sup>2</sup>	\$4.9	\$7.5
Shareholders' Equity	\$46.2	\$41.4
Shares Outstanding	28.0	29.0
Book Value Per Share	\$1.67	\$1.42



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

<sup>2</sup> As of 6/30/20, Total Liabilities included \$965,000 in PPP funding and \$825,000 in operating lease liabilities

# FY 2021 Strategic Initiatives





## Key Strategic Initiatives for FY 2021



Expand digital presence



Launch new products



Increase customer engagement



Focus on disciplined growth

Q&A