

Nasdaq: CTHR



CHARLES & COLVARD®

*Q1 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, 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.

Agenda

- Financial Summary
- Strategic and Operating Highlights
- Q1 FY2020 Accomplishments
- FY2020 Strategic Initiatives
- Q&A

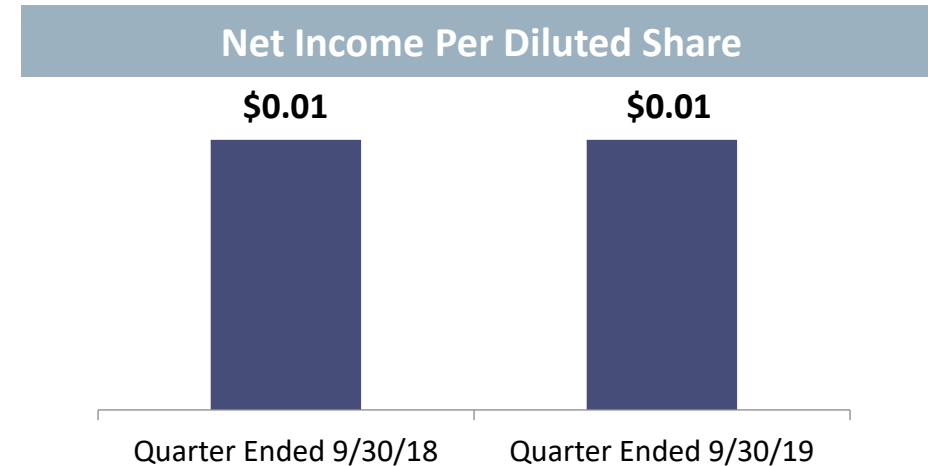
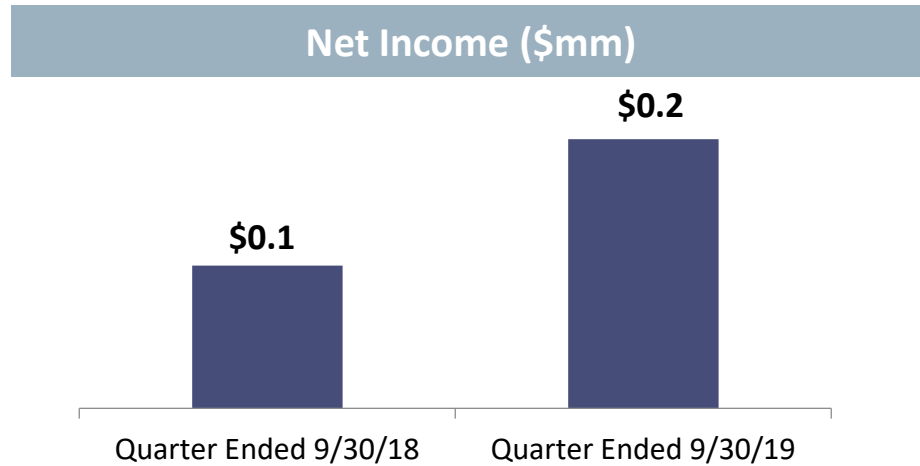


A close-up photograph of a woman with dark hair, wearing a diamond stud earring and a ring, smelling a bouquet of pink roses. She is wearing a light-colored, patterned top. The background is softly blurred, showing more flowers in shades of pink and red.

Financial Summary



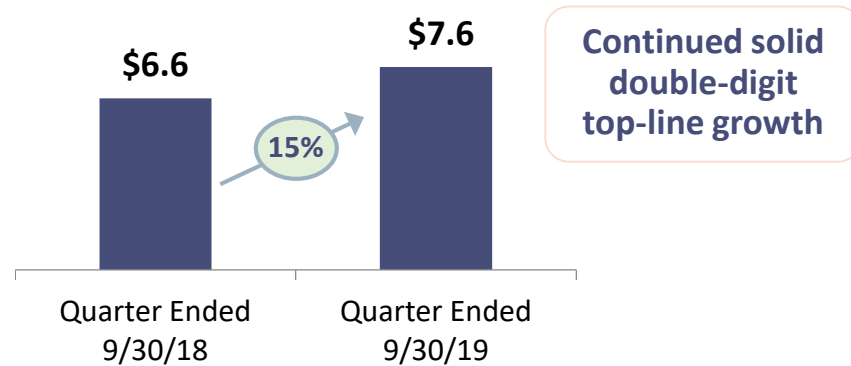
Net Income & Earnings Per Share Q1 FY2020



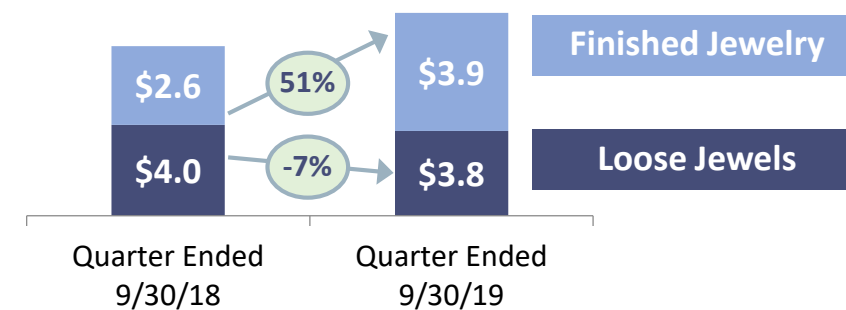


Net Sales – Q1 FY2020

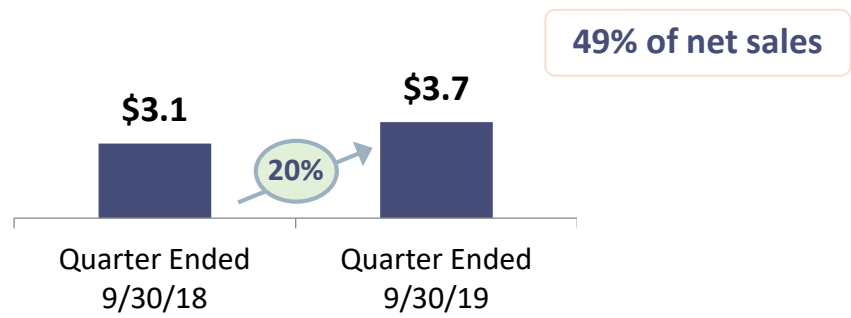
Net Sales (\$mm)



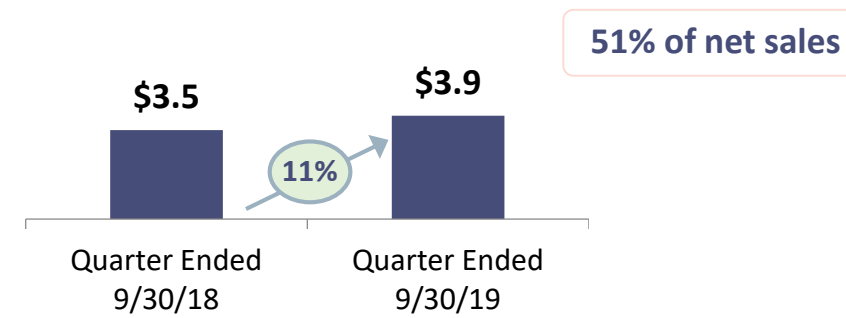
Finished Jewelry & Loose Jewel Net Sales (\$mm)



Net Sales from Online Channels Segment (\$mm)

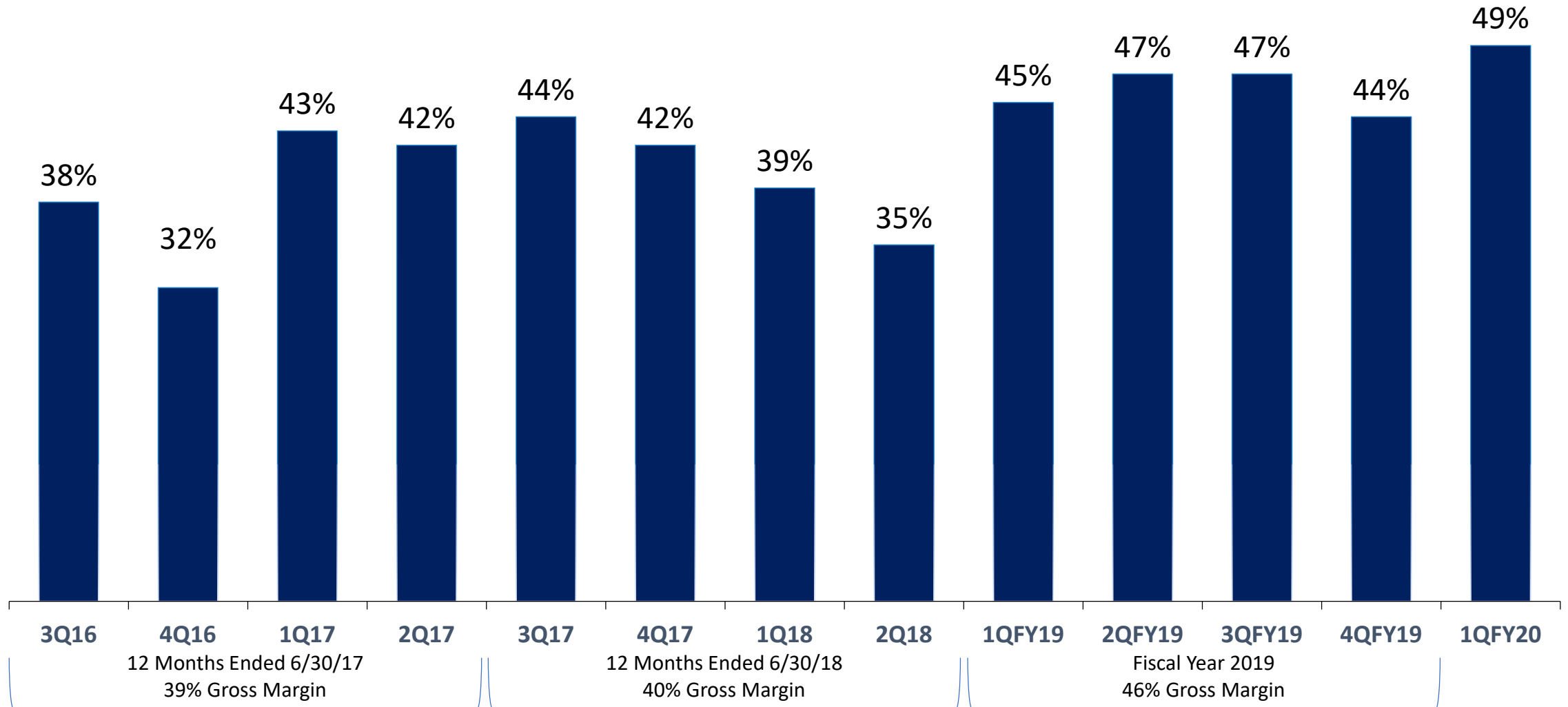


Net Sales from Traditional Segment (\$mm)





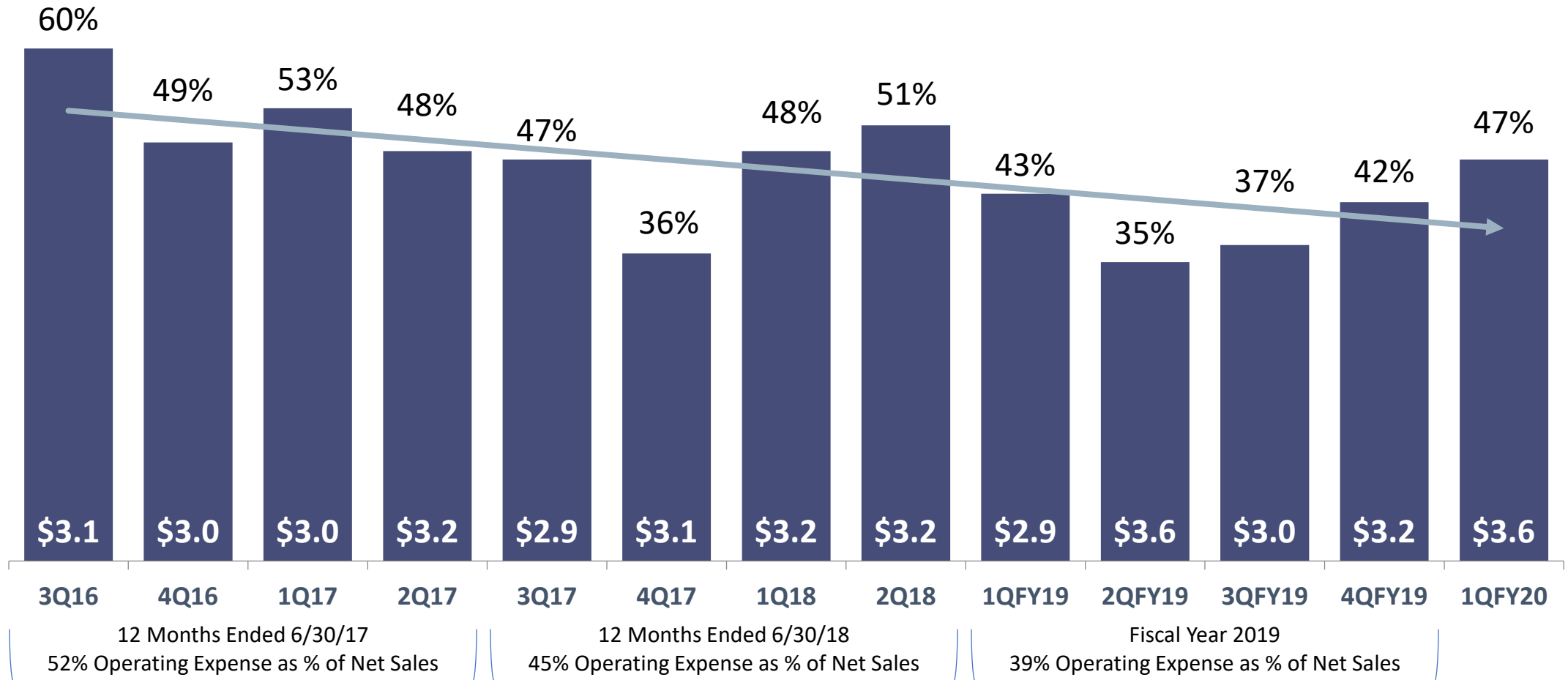
Gross Margin





Rationalized & Scalable Expense Structure (\$mm)

Total Operating Expense as % of Net Sales





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.



Inventory Summary

Standard Inventory Classification

\$mm	12/31/16	%	12/31/17	%	6/30/18	%	12/31/18	%	6/30/19	%	9/30/19	%
Short Term	\$9.7	35%	\$11.2	36%	\$11.0	35%	\$11.3	34%	\$11.9	35%	\$11.8	33%
Long Term	\$18.4	65%	\$19.8	64%	\$20.8	65%	\$21.5	66%	\$21.8	65%	\$24.2	67%
Total	\$28.1	100%	\$31.0	100%	\$31.8	100%	\$32.8	100%	\$33.7	100%	\$36.0	100%

Inventory Detail by Product Category

Category	12/31/16	12/31/17	6/30/18	12/31/18	6/30/19	9/30/19
New Inventory ¹	49%	64%	70%	74%	79%	81%
Legacy Inventory ²	51%	36%	30%	26%	21%	19%
Total	100%	100%	100%	100%	100%	100%

Strategic and Operating Highlights





Q1 FY2020 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



Expansion of Brand Awareness

AWARENESS

Finding and starting a conversation with new audiences

ENGAGEMENT

Deepen connection with new audiences

CONSIDERATION

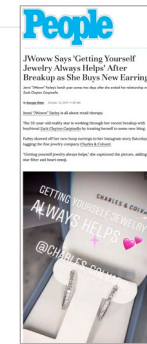
Develop a personal relationship with the consumer

DECISION

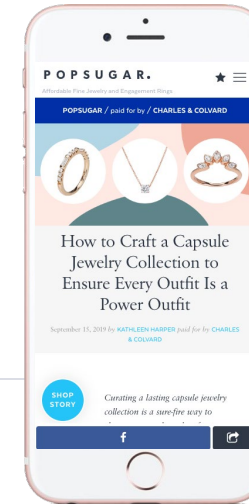
A Bespoke Buying Experience

ADVOCACY

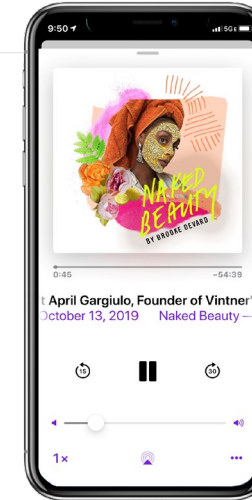
Creating A Movement



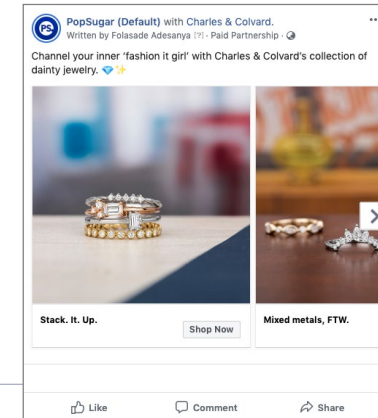
Influencer Marketing



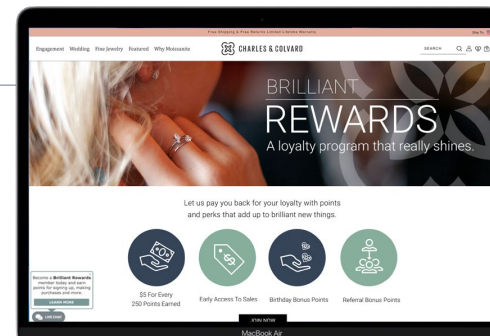
Sponsored Content



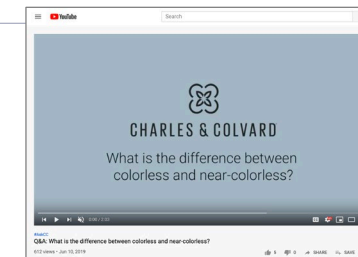
Podcast Sponsorships



Shoppable Social Media Ads



Loyalty Program



Q&A Education Videos

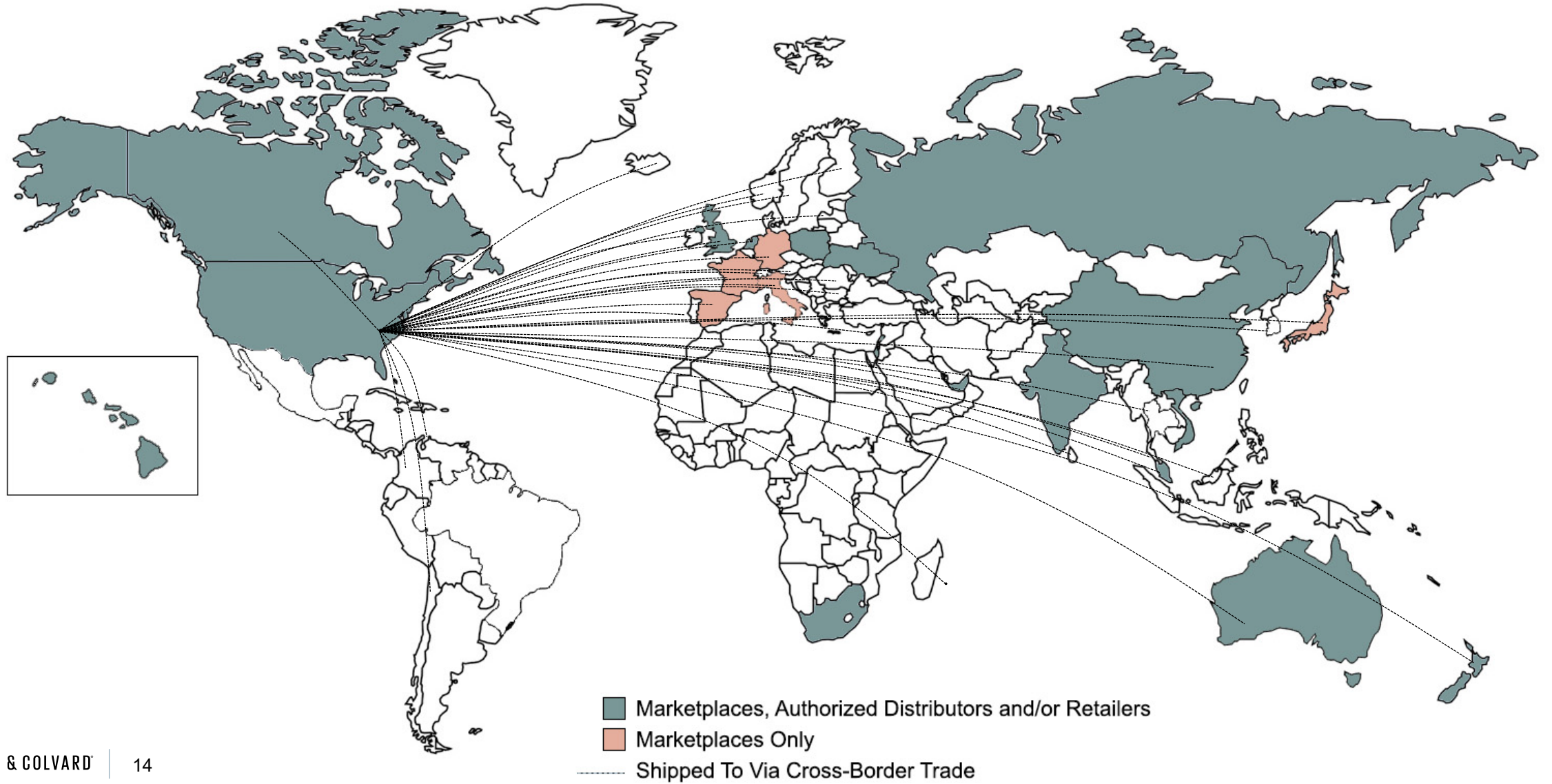


"Choosing an alternative to a diamond was extremely important to us... Moissanite was totally us."

Customer Testimonials



International Sales Reach

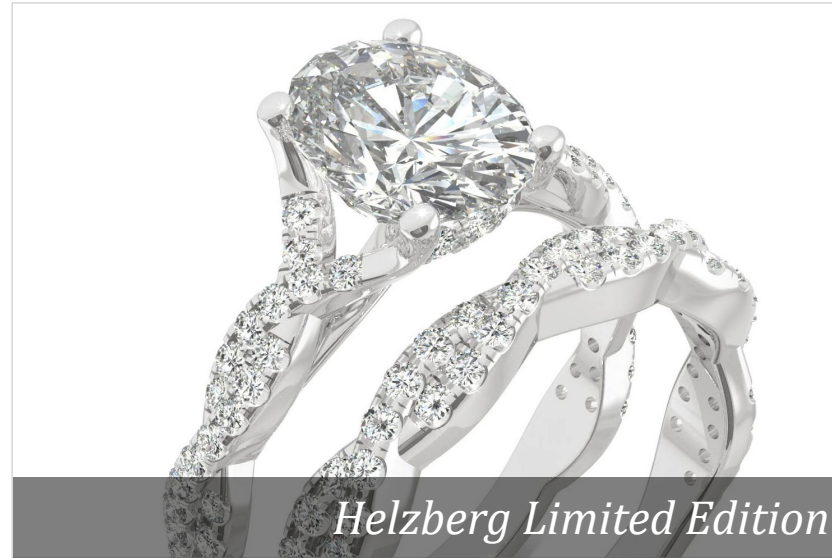




Product Evolution



Platinum



Helzberg Limited Edition



Tantalum Men's Bands



Signature Collection

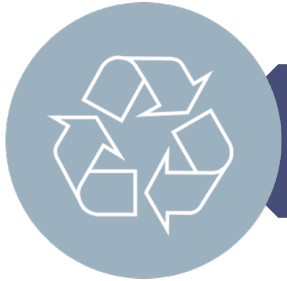


Enhanced Customer Experience





Corporate Social Responsibility



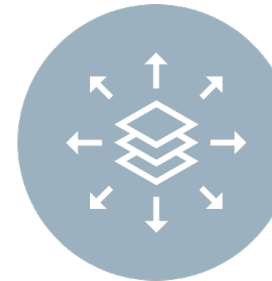
Use Of Recycled Metals



Philanthropic Programs



Improve Environmental Impact



Higher Level of Transparency

Fiscal Year 2020 Strategic Initiatives

- 1. Expansion of Brand Awareness**
- 2. International Sales Reach**
- 3. Product Evolution**
- 4. Enhanced Customer Experience**
- 5. Corporate Social Responsibility**

Q&A