

Nasdaq: CTHR



CHARLES & COLVARD®

Q4 & Full Fiscal Year 2021
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,” “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, 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) our business and our results of operations could be materially adversely affected as a result of general and economic conditions; (4) we face intense competition in the worldwide gemstone and jewelry industry; (5) 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; (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) our operations could be disrupted by natural disasters; (12) sales of moissanite and lab grown diamond jewelry could be dependent upon the pricing of precious metals, which is beyond our control; (13) our current customers may potentially perceive us as a competitor in the finished jewelry business; (14) we depend on an exclusive supply agreement, or the Supply Agreement, with Cree, Inc., or Cree, 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; (15) 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; (16) governmental regulation and oversight might adversely impact our operations; (17) the execution of our business plans could significantly impact our liquidity; (18) 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; (19) negative or inaccurate information on social media could adversely impact our brand and reputation; (20) 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; (21) 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; (22) if we fail to evaluate, implement, and integrate strategic acquisition or disposition opportunities successfully, our business may suffer; (23) our loan, pursuant to the Paycheck Protection Program, or the PPP Loan, under the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, as administered by the U.S. Small Business Administration, or the SBA, was forgiven in full and may be subject to review for compliance with applicable SBA requirements for six years from the date the loan was forgiven; (24) some anti-takeover provisions of our charter documents may delay or prevent a takeover of our company; and (25) our failure to maintain compliance with The Nasdaq Stock Market’s continued listing requirements could result in the delisting of our common stock, in addition to the other risks and uncertainties described in more detail in “Risk Factors” in Part I, Item 1A, of 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 Securities and Exchange Commission, or SEC, that discuss other factors relevant to our business.



Agenda

- Business Highlights
- Q4 FY 2021 Financial Summary
- FY 2021 Key Drivers
- FY 2022 Strategic Initiatives
- Q&A

CONTINUED STRONG OPERATING MOMENTUM



Revenue

Up 120% to **\$9.7M*** Q4

Up 34% to **\$39.2M*** FY 2021



Income from Operations & Fully Diluted EPS

\$1.1M Q4, **\$0.27** Q4 and **\$5.5M** FY 2021,

\$0.42 FY 2021



Gross Margin

45% Q4, **47%** FY 2021



Total Cash & Working Capital

\$21.4M total cash; **\$30.1M** working capital is up 73%
year-over-year

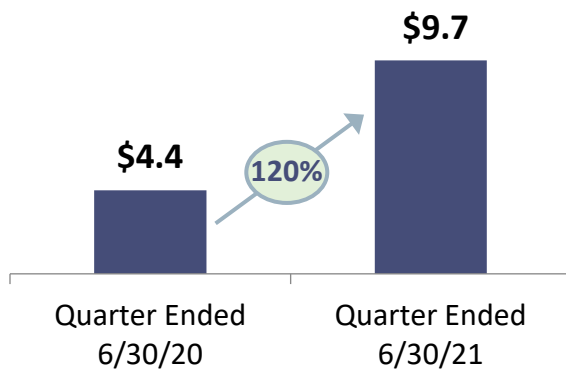
* Compared to year-ago period

FINANCIAL SUMMARY

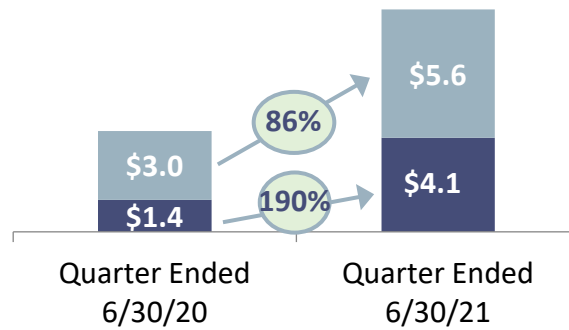


Q4 FY 2021 Net Sales

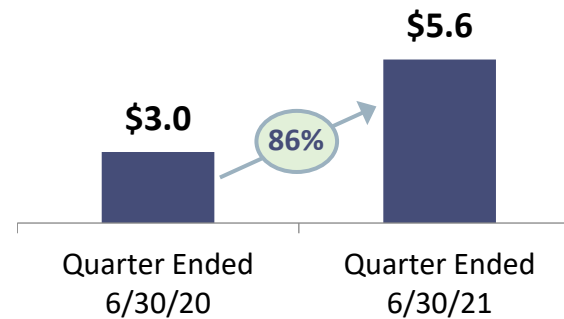
Net Sales (\$M)



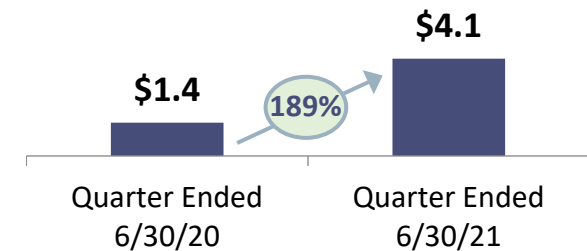
Loose Jewel & Finished Jewelry Net Sales (\$M)



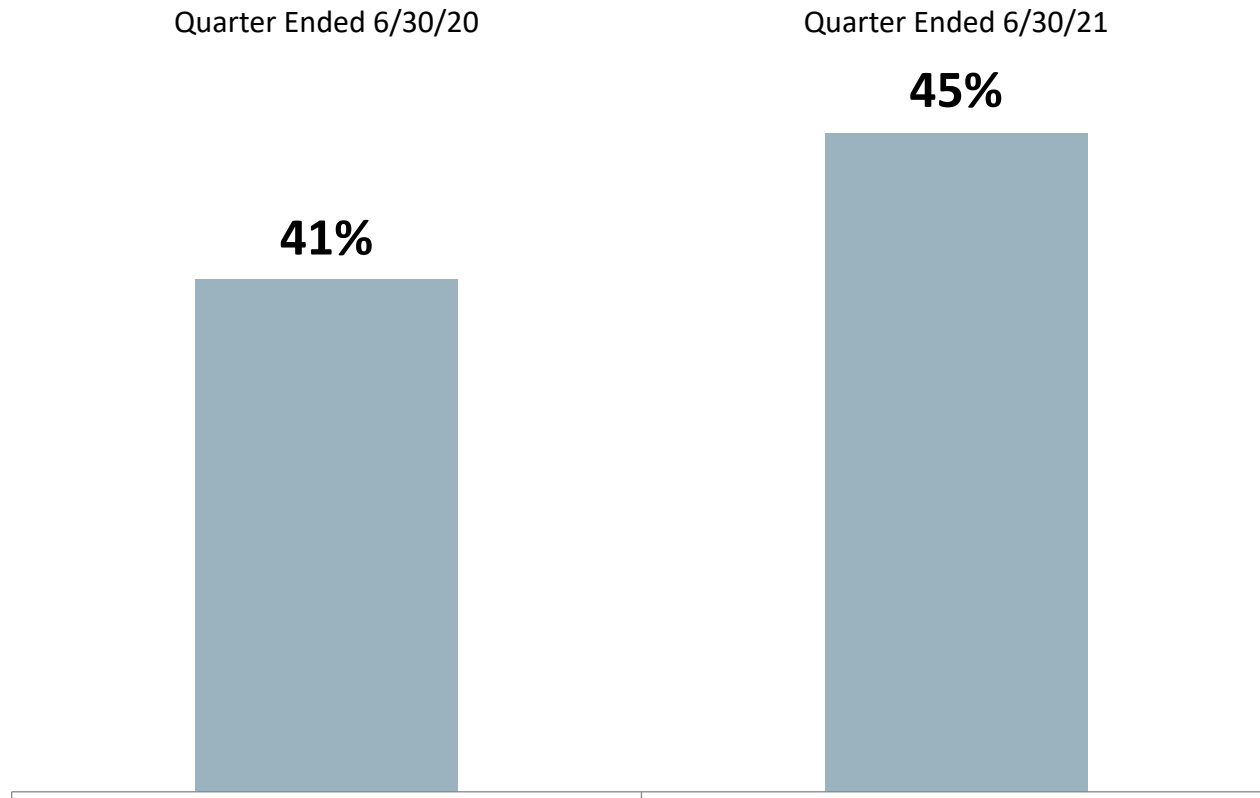
Net Sales from Online Channels Segment (\$M)



Net Sales from Traditional Segment (\$M)

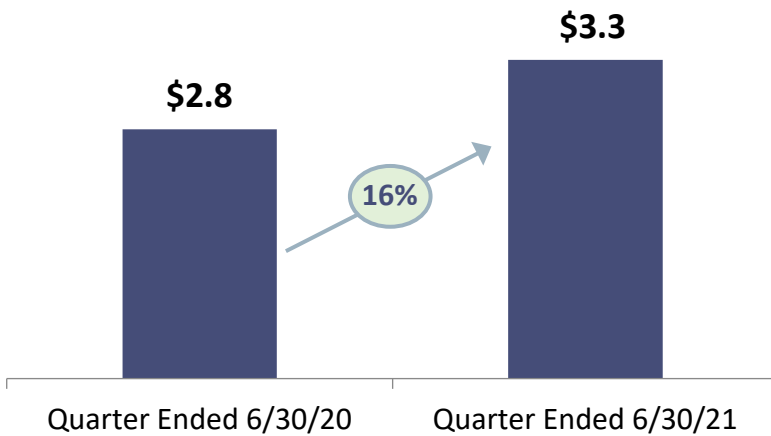


Q4 FY 2021 Gross Margin

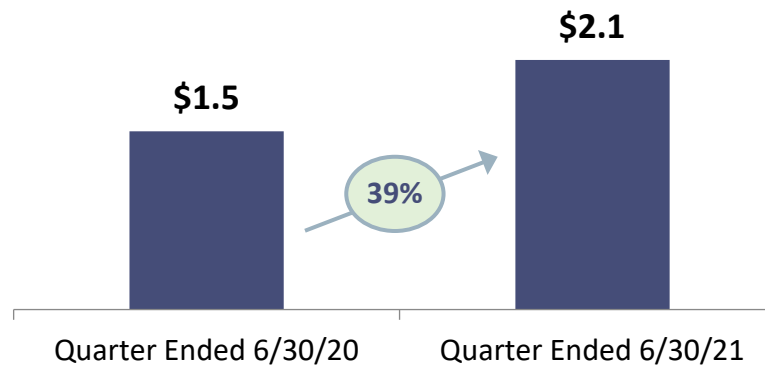


Q4 FY 2021 Operating Expenses

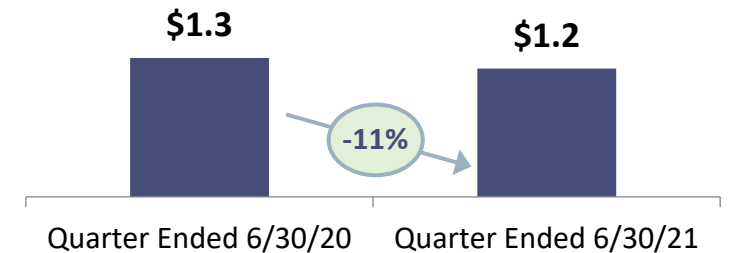
Total Operating Expenses (\$M)



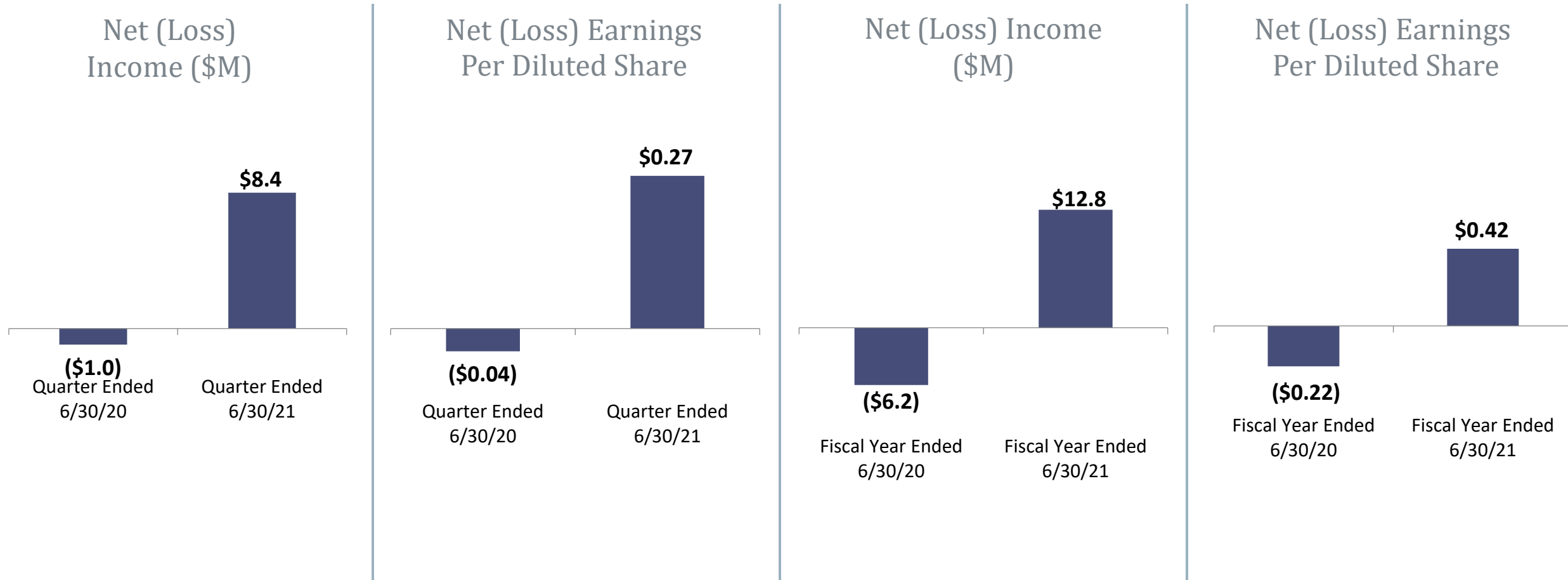
Sales & Marketing Expenses (\$M)



General & Administrative Expenses (\$M)

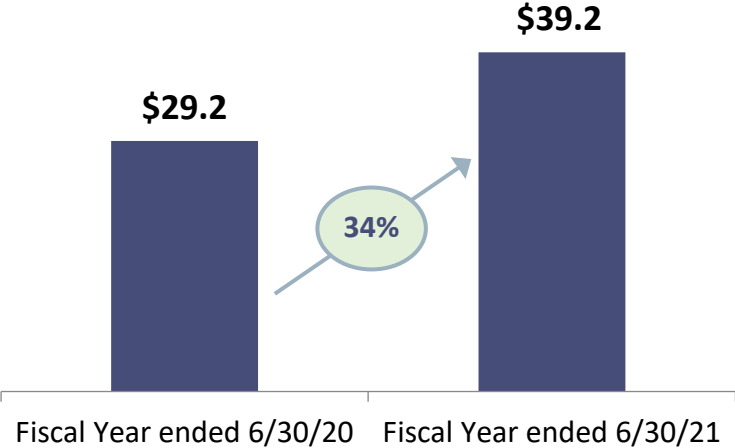


Net (Loss) Income & (Loss) Earnings Per Share Q4 FY2021 & Fiscal Year Ended June 30, 2021

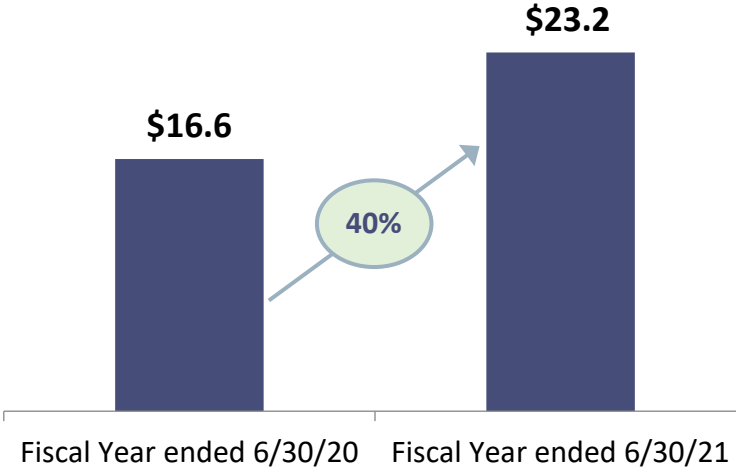


FY 2021 Net Sales Summary

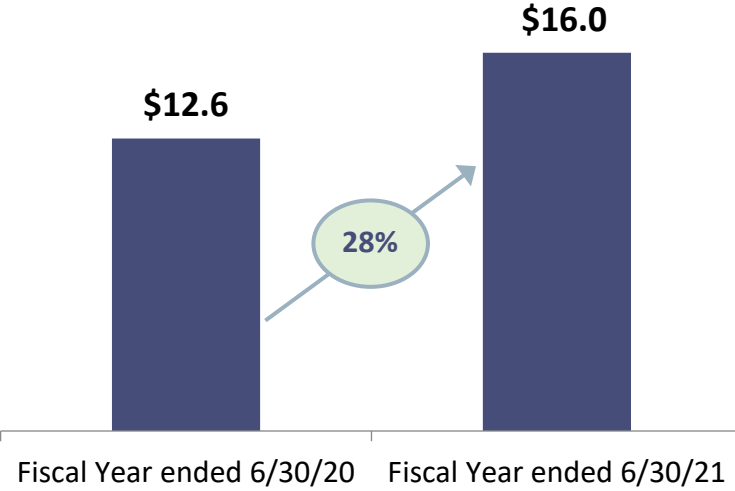
Net Sales (\$M)



Net Sales from Online Channels Segment (\$M)



Net Sales from Traditional Segment (\$M)



BALANCE SHEET SUMMARY

(millions, except per share)



	6/30/21	6/30/20
Total Cash ¹	\$21.4	\$14.6
Inventory	\$29.2	\$30.6
Total Assets	\$64.9	\$48.9
Credit Facility	\$0.0	\$0.0
Total Liabilities ²	\$9.2	\$7.5
Shareholders' Equity	\$55.7	\$41.4
Shares Outstanding	29.9	28.9
Book Value Per Share	\$1.85	\$1.42

¹ Cash, cash equivalents and restricted cash

² As of 6/30/20, Total Liabilities included \$965,000 in PPP Loan and \$622,000 in operating lease liabilities. As of 6/30/21, Total Liabilities included \$0 in PPP Loan and \$4.2 million in operating lease liabilities; lease liabilities increased by \$4.4 million in Q3 2021 related to extension of corporate headquarters lease for additional five years.



FY 2021 KEY DRIVERS



FY 2021 Key Drivers

- Renegotiated Key Supplier Contracts
- Deepened Retail Partnership
- Launched Caydia[®] Lab Grown Diamond Product Brand
- Elevated Digital Presence
- Launched New Web Property

FY 2022 STRATEGIC INITIATIVES



Expand Brand Presence



Diversify Product Offerings



Enhance Customer Engagement



Focus on Topline Growth



QUESTIONS