



CHARLES & COLVARD®

Q4 2017 Earnings Conference Call Presentation

Forward Looking Statements

This press release 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 consumer awareness, acceptance, and growth of sales of our products resulting from our strategic initiatives; the impact of the execution of our business plans on our liquidity; our ability to fulfill orders on a timely basis; the financial condition of our major customers and their willingness and ability to market our products; dependence on a limited number of customers; dependence on our exclusive supply agreement with Cree, Inc. for the sole supply of the raw material; intense competition in the worldwide jewelry industry; our ability to maintain compliance with the continued listing requirements of The Nasdaq Stock Market LLC; our current customers’ potential perception of us as a competitor in the finished jewelry business; quality control challenges from time to time that can result in lost revenue and harm to our brands and reputation; general economic and market conditions, including the current economic environment; the impact of natural disasters on our operations; the pricing of precious metals, which is beyond our control; the potential impact of seasonality on our business; the potential adverse effect of recent U.S. tax legislation; the impact of significant changes in e-commerce opportunities, technology, or models; our ability to protect our intellectual property; the risk of a failure of our information technology infrastructure to protect confidential information and prevent security breaches; risks of conducting business in foreign countries; the potential adverse impact of negative or inaccurate social media commentary; the failure to evaluate 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 December 31, 2016 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

- Q4 and Full Fiscal Year 2017 Highlights
- 2017 Strategic Initiatives Re-cap
- Financial Review
- 2018 Strategic Initiatives
- Q&A





Q4 2017 Highlights*

- First full year-over-year quarterly comparison with new brand
- Net sales surged 42% led by strong Online Channels growth
 - charlesandcolvard.com e-commerce site doubled quarterly net sales with 117% increase
 - Online Channels net sales grew 52%
 - Online Channels net sales reached 54% of total sales
- Gross margin expanded to 42%, up from 32%
- 10 consecutive quarters of progressively improved bottom-line performance
- First profitable quarter since 2013



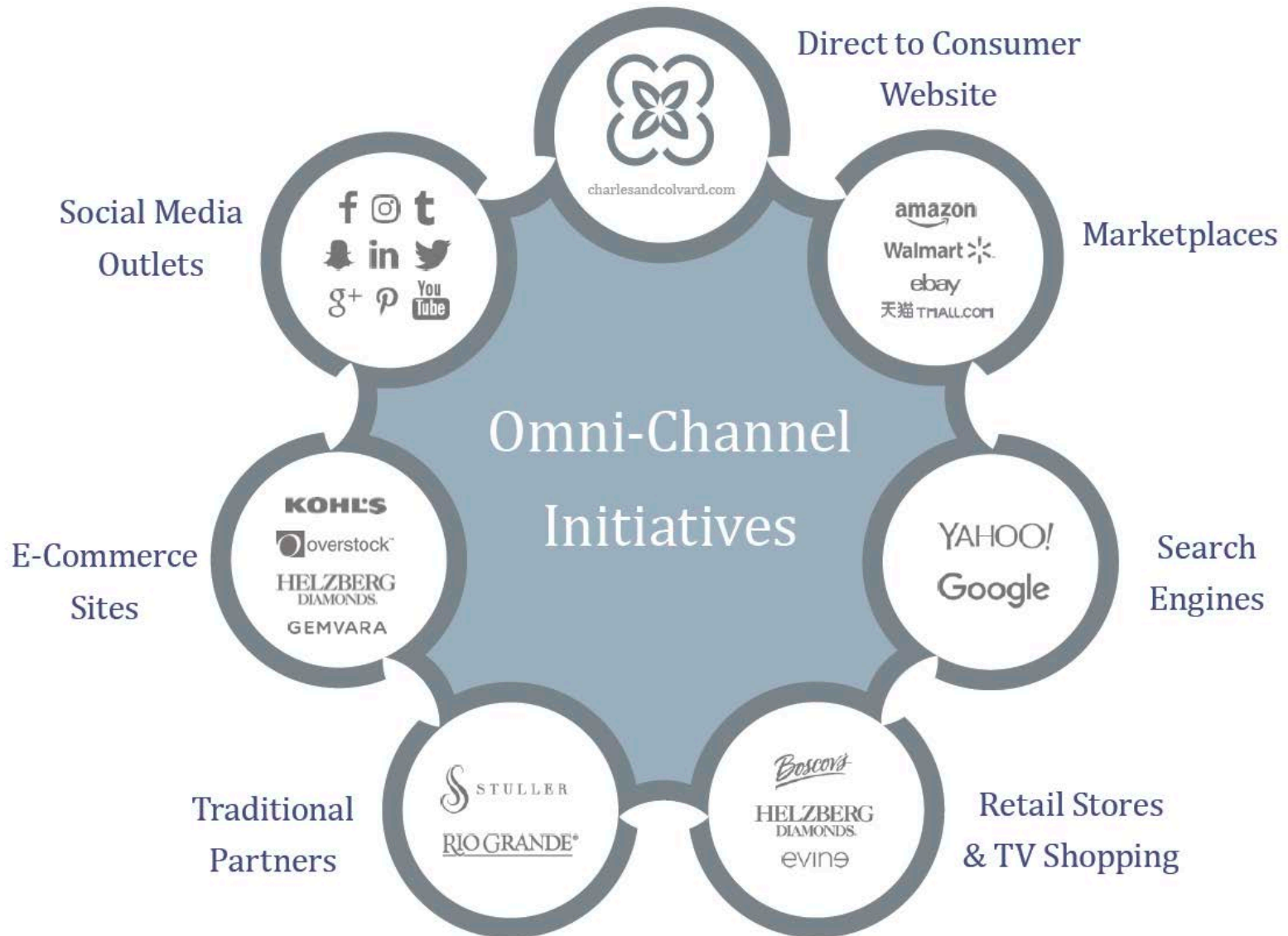


2017 Initiative One – Product Innovation

Continuing Expansion of Forever One™ Gemstone Offerings and Expanded Forever One Finished Jewelry

- Expanded fashion revenue growth by 115% in Q4 2017 versus Q4 2016 on charlesandcolvard.com
- Added new gemstones for a total of 14 cuts
- Introduced Forever One™ melee accent gemstones
- Debuted availability of Exotic Gems
- Established a men's jewelry collection
- Forever One represented 84% of 2017 net sales, a 95% growth rate from 2016







2017 Initiative Two – Omni-Channel Distribution

Intensifying Our Omni-Channel Sales Effort

- Significant brick-and-mortar traction with Helzberg Diamonds Stores
- Thousands of retail outlets
- Exceeding industry performance
 - 2017 retail industry growth of 5.5%
 - C&C Traditional Segment growth of 30% increase in Q4 2017 versus Q4 2016





2017 Initiative Three – E-Commerce Expansion

Expanding Our E-Commerce Initiatives to New Channels

- Significant strides with Amazon in U.S.
 - Seller Fulfilled Prime
 - Expanded Assortment
- Online Channels Q4 2017 Growth of 52% over Q4 2016
- Online Channels Annual Growth 25% over 2016
- Early trial in China on Alibaba's Tmall marketplace





2017 Initiative Four – Marketing



Facebook: 181%*



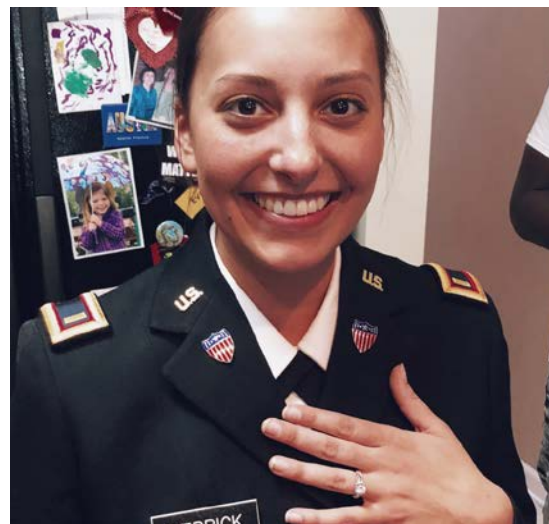
Instagram: 248%*



YouTube: nearly 1.5 mm views**

Over 25 million consumers reached**

Social click-through to website up 742%*



charles_colvard • Follow

charles_colvard Congratulations are in order for another adorable Charles & Colvard couple! @mattfrisby proposed to @cmfrisby47 on the day she was commissioned into the Army as a second lieutenant. #militaryproposal
choochie1256 Congrats, the ring is beautiful! Thank you for your service!!!
lovelyladynatty Congrats! Great ring choice!
divaish56 So pretty and classy!

223 likes
JANUARY 25



charles_colvard • Follow

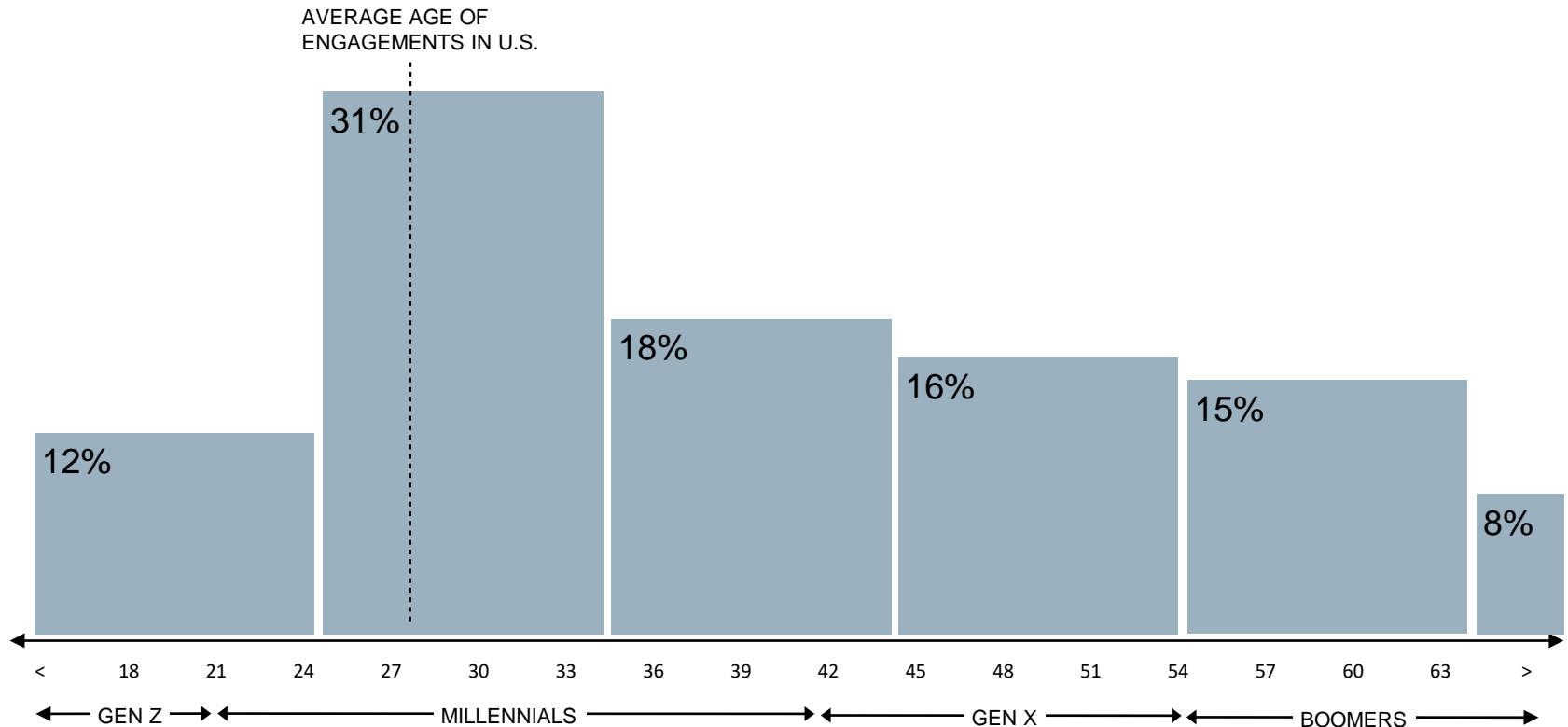
charles_colvard "I wanted lots of sparkle and a ring that would last me forever, but I knew that I would not feel okay with my fiancée spending a ton of money on it. After lots of reading and research we found moissanite to be the right choice. I could not believe I could get a gemstone that would shine more than a diamond and would be much more affordable. My ring is a dream come true and I could not recommend Charles & Colvard enough." - @cheapychick

rockstarlotte Love this!!! Where is the mug from?

116 likes
DECEMBER 26, 2017



Demographics of the Charles & Colvard Customer



Primary Motivators:



Beauty



Value



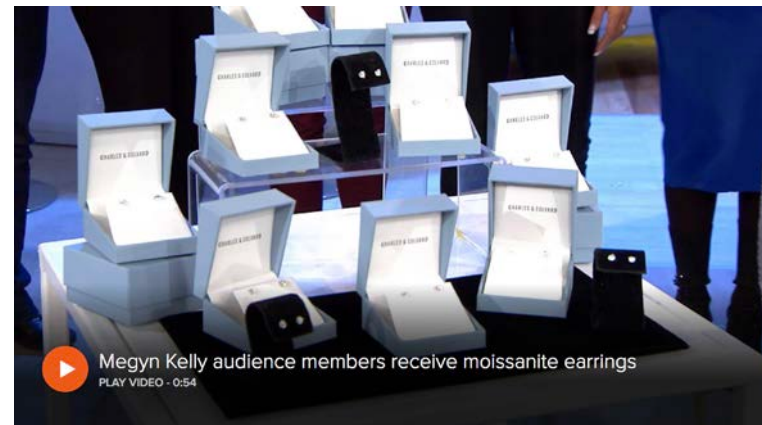
Social Responsibility



Leveraging Opportunities to Increase Awareness



Megyn Kelly Today
120,000+ Facebook Followers





2017 Initiative Five – Customer Service

Evolving Our Customer Service Function

Improvements include:

- Optimized web technology
 - Onsite Search
 - Page responsiveness
 - Mobile commerce
- 60-day return policy
- Free Returns
- Loyalty Program



Our Executive Team



Suzanne Miglucci
President
& Chief Executive
Officer

*Chief Marketing
Officer*
channeladvisor®

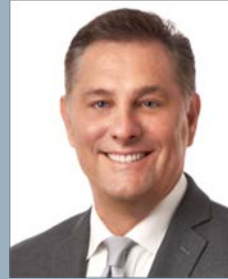
Previous Experience:



Clint J. Pete
Chief Financial
Officer &
Treasurer

*Director of Business
Planning*
ORACLE

Previous Experience:



Don O'Connell
Chief Operating
Officer & Senior
Vice President,
Supply Chain

*Executive VP of
Operations & Global
Jewelry Solutions*



Previous Experience:
RICHLINE GROUP



Tom Bergen
Senior Vice
President,
Sales

*Director of E-Commerce
Merchandising*



ZALE CORPORATION®

Previous Experience:



John Lane
Vice President,
Marketing

*Chief Strategy Officer,
Centerline Digital*



With Clients Such As:



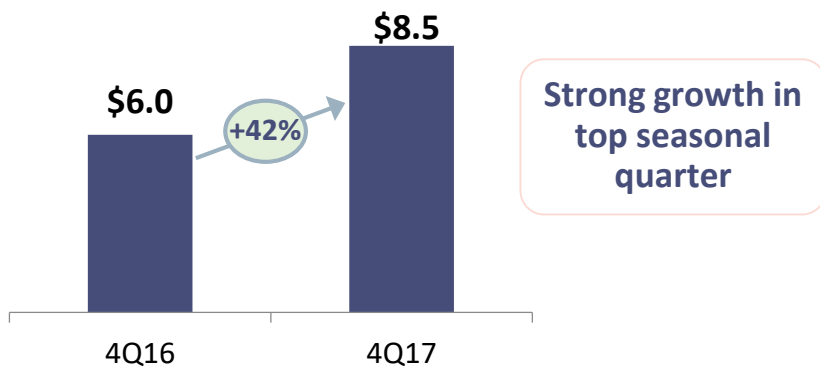


Q4 and Full Fiscal Year 2017 Financial Summary

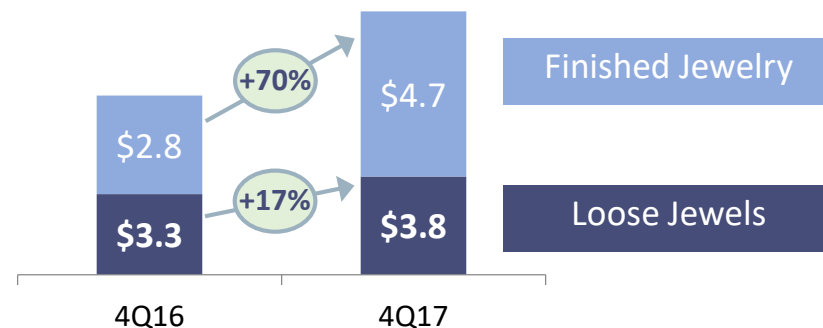


Q4 2017 Net Sales

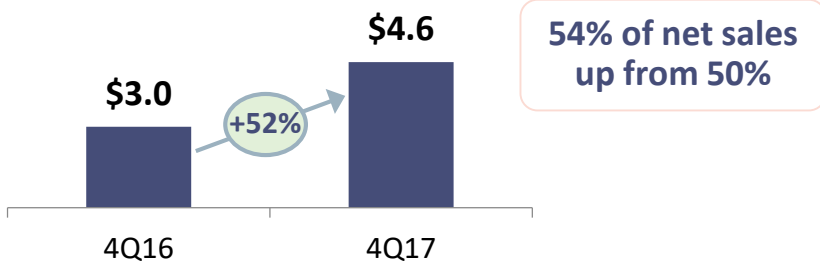
Net Sales (\$mm)



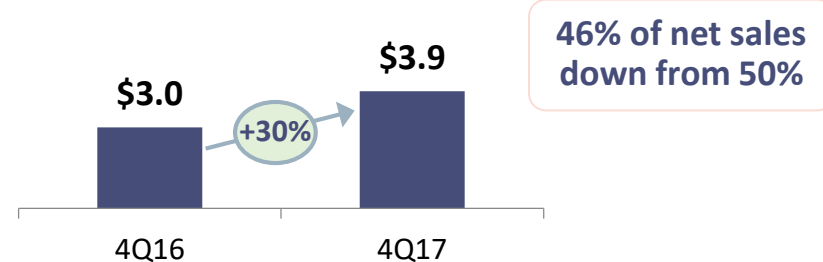
Loose Jewel & Finished Jewelry Net Sales (\$mm)



Net Sales from Online Channels Segment (\$mm)

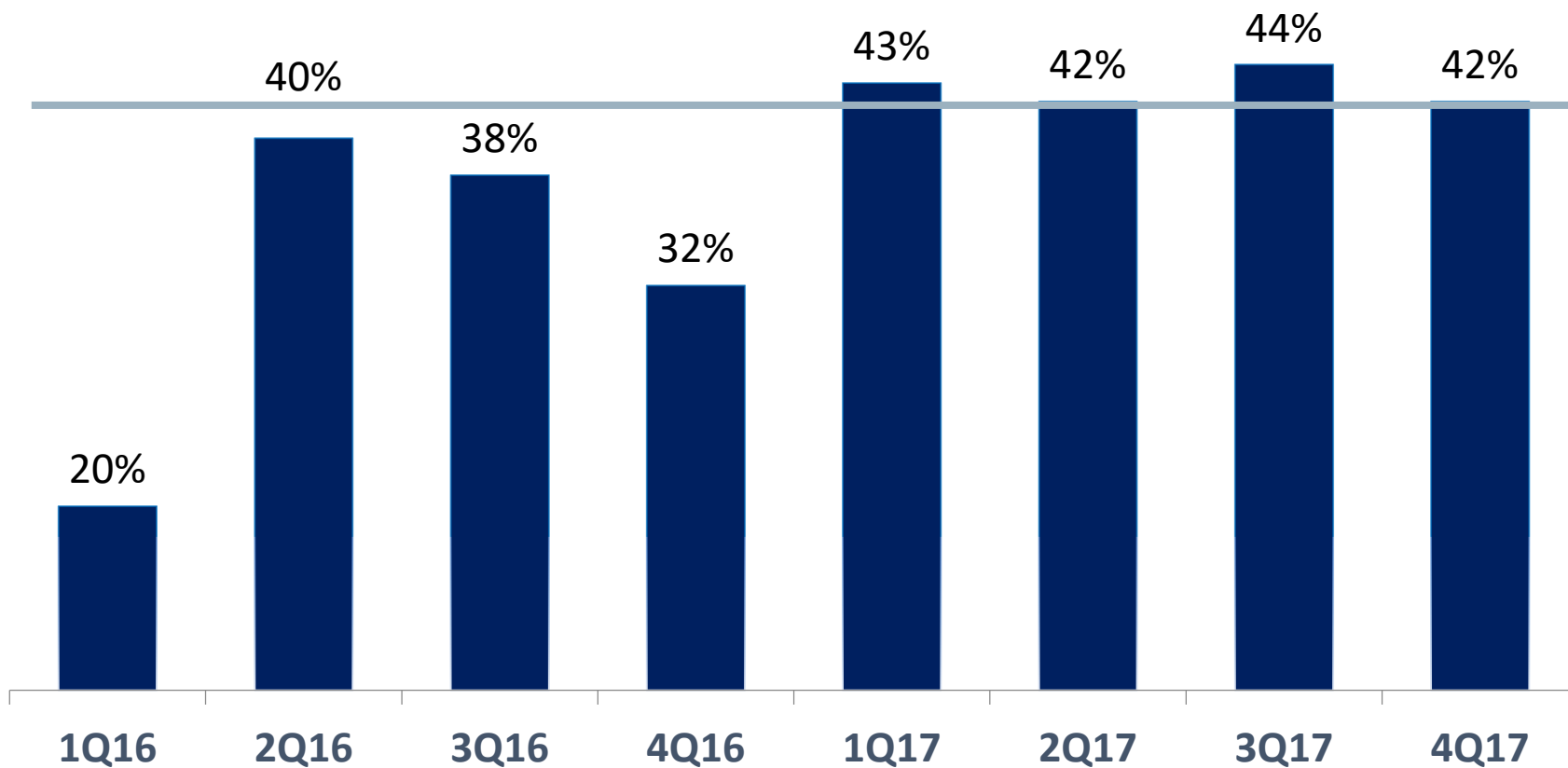


Net Sales from Traditional Segment (\$mm)





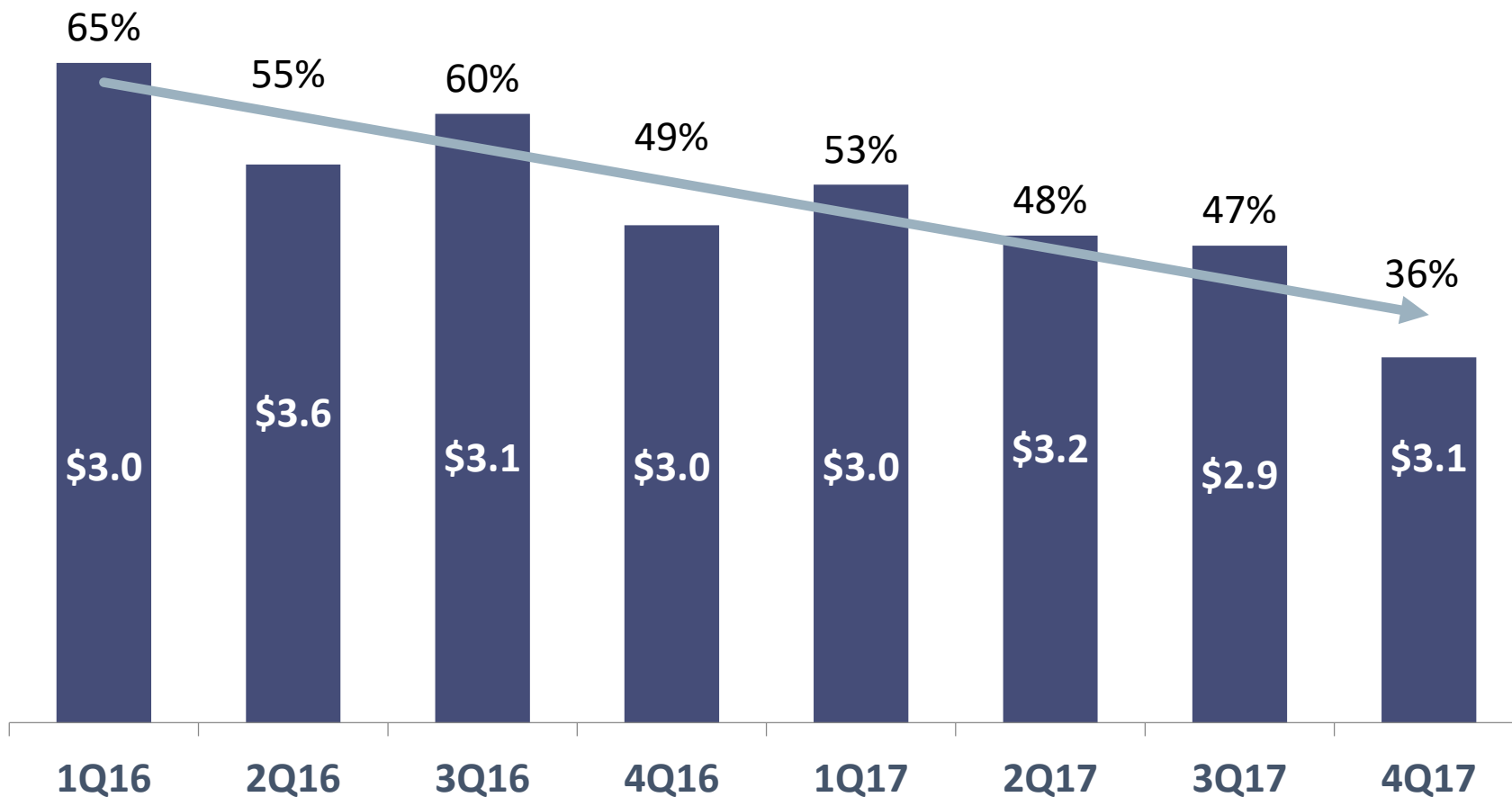
Expanded and Stabilized Gross Margin





Rationalized & Scalable Expense Structure (\$mm)

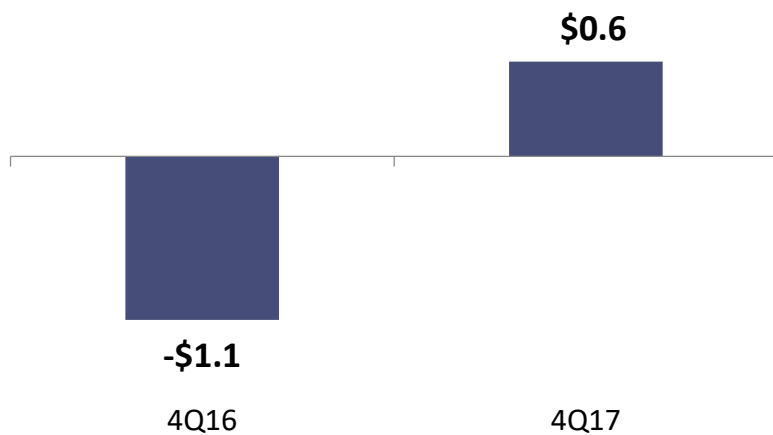
Total Expenses as % of Net Sales



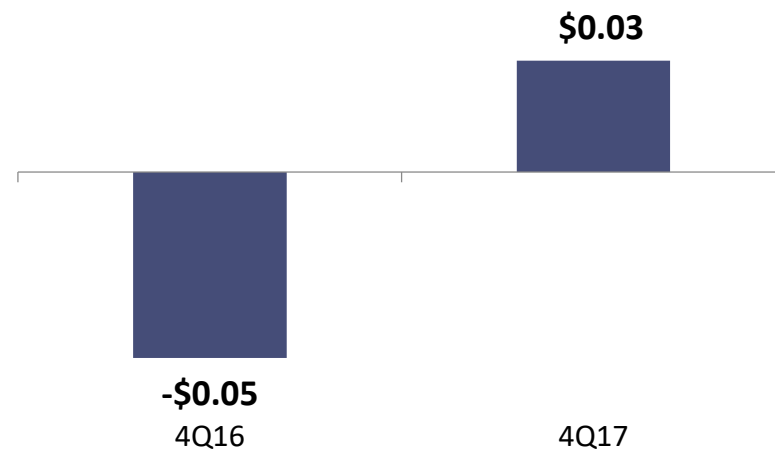


Q4 2017 Net Income & Earnings Per Share (\$mm)

Net Income (Loss)



Net Income (Loss) Per Share



First profitable quarter since 2013



Full Fiscal 2017 Financial Summary

	<u>2016</u>	<u>2017</u>
Revenue	\$29.2 mm*	\$27.0 mm
Operating Expenses	\$12.7 mm	\$12.2 mm
Net Loss from Continuing Operations	(\$4.0) mm	(\$0.5) mm
Net Loss from Continuing Operations Per Share	(\$0.19)	(\$0.02)



Balance Sheet Summary Snapshot

\$mm	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17
Cash	\$7.4	\$6.6	\$6.3	\$5.1	\$4.6
Inventory	\$28.1	\$28.9	\$29.2	\$30.9	\$30.9
Total Assets	\$40.5	\$39.9	\$39.6	\$40.7	\$41.2
Total Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Liabilities	\$5.6	\$5.6	\$5.5	\$6.7	\$6.3
Shareholders' Equity	\$34.8	\$34.3	\$34.1	\$34.0	\$34.8
Diluted Shares Outstanding	21.4	21.6	21.6	21.6	21.6
Book Value Per Share	\$1.63	\$1.63	\$1.61	\$1.61	\$1.61



Inventory Summary

Standard Inventory Classification

\$mm	2016	%	2017	%
Short Term	\$9.8	35%	\$11.2	36%
Long Term	\$18.3	65%	\$19.8	64%
Total	\$28.1	100%	\$31.0	100%

Inventory Detail by Product Category

Category	Production	2016	2017
New Inventory	Since September 2015	49%	64%
Legacy Inventory	Up To August 2015	51%	36%
Total		100%	100%

2018 Strategic Initiatives



2018 Strategic Initiatives

1. Drive organic revenue growth in the U.S. and maintain attractive margins
2. Expand our gemstone and jewelry offerings to serve a broad range of customers
3. Target the global market opportunity through continued brand building, focused channel expansion and world-class customer service
4. Balance growth-oriented investments to generate sustainable earnings improvement





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.



Q&A

