

The Stock Podcast Interview Transcript

Participants

Suzanne Miglucci, CEO of [Charles & Colvard](#) (CTHR)

Nate Abercrombie, [The Stock Podcast](#)

Interview Transcript

Nate: Suzanne, thank you so very much for coming onto the podcast. I'm really looking forward to talk about your background and your company.

Suzanne: Thanks, Nate. I appreciate you having me today.

Nate: That's my pleasure. Could we first start out just hearing about your background?

Suzanne: Sure. I'm actually an executive from the technology space. I primarily came from business software such as SAP, I worked at Computer Associates and just prior to Charles & Colvard, I worked at a company called ChannelAdvisor. I acted as Chief Marketing Officer and I ran marketing and product management and support and services for that company. So a broad technology background, which is an odd fit for somebody that runs a jewelry company, but I'm sure we'll get into that.

Nate: Yeah. So, Oh, yeah? What brought you to a jewelry company?

Suzanne: Well, it was interesting. ChannelAdvisor is a software company that helps brands and retailers expand their global sales footprint. And they help them do it through marketplaces and digital marketing. I was very deeply involved with several thousand global brands and retailers using the platform, and in 2015 I took a board seat at Charles & Colvard, to help provide a little bit of oversight on the pathway toward being a brand or how to establish a direct to consumer relationship through online channels, figuring it would be a really great fit for me to bring that background here. It just so happened that that was right at the same time that the then CEO was retiring from the business, and the board asked me to interview for the seat and here I am. I took the CEO helm in December of 2015.

Nate: Okay. And could you talk a little bit about Charles & Colvard and just the background there, the Genesis story, if you will?

Suzanne: So, Charles & Colvard is the original creator of the lab grown gemstone called [moissanite](#). The company has been manufacturing this gem since its inception, which was way back in 1995. For all of those first 20 some odd years Nate, the company was very much a manufacturer. The company relied on distribution partners to do the job of taking the product to market. In fact, they had a patent on moissanite production globally for the first 20 years of the company. When I came on board at the end of 2015, they were coming off patent and it was an interesting time. The board and the company were trying to figure out how do we make this company viable going forward as we go off patent? What do we do? And that's where my background in E-commerce and online channels really played. In 2016, in the month of October, we hit the hard reboot button and we pivoted the company and the model toward being more of a direct to consumer model. We really felt like a direct connection with the consumer was the way for us to tell the brand story, to talk about moissanite, the product, and its value, and to bring that consumer in, whether she's buying directly from us or through other channels. We felt like it was important for us to start to really bang the drum and talk the story of moissanite because our original business model didn't do that

for us. And so when we did this reboot, we really launched an omnichannel and a very much an online channel sales strategy where we were out there with our own website, we were out there with digital marketing strategies to tell the story on marketplaces around the globe eventually, and different ways for the consumer to find us and to engage with us.

Suzanne: We just posted our Q4 fiscal year 2019 earnings and thrilled to say we posted four profitable quarters for the year, but I think I'm even more proud of the fact that our online channels where we do most of our direct to consumer business, are now more than half of our revenue. So we've really successfully pivoted the business, Nate, and we're very much this direct to consumer business. Now, it doesn't mean that the legacy business went away. Half the business is still through retail outlets and through some of those distributors that have been with us for some time, but the good news here is that we've established a relationship with the consumer and we feel it's a rising tides lift all boats scenario where that relationship causes them to search for moissanite. Search for that alternative to diamond, and then find us wherever we might be in the market.

Nate: Yeah, that's impressive. Half of your business is direct to consumer. So that's... I would imagine the margins are just a little bit nicer when you're selling directly to a consumer and you don't have to pay an intermediary or paying some retailer that then takes a cut of some of your profits. So that's pretty impressive.

Suzanne: Yeah, you've connected the dots directly. So, the reason, one of ultimately the reasons that we're profitable today and have four profitable, consecutive profitable quarters under the belt, is because of this migration to these online channels. We call it direct. The most direct is charlesandcolvard.com, our own transactional website, and then we have others where there's a short hop through a third party, like a marketplace, but they command far less a cut of our revenue than some of our traditional channels, like when we were going through a distributor or through a retailer. And so we have very nice blended gross margins, but the best margins come from our online channels and the very best margin comes from our own direct site.

Nate: Yeah, I would be really interested to hear how you made that transition from a manufacturer of moissanite to making the actual jewelry, so everything involved with creating the final product, but before we get to that, I think it's really important to talk about what moissanite is.

Suzanne: So moissanite is something called silicon carbide, if you talk about the chemistry of it. It's made of two elements of the periodic table, silicon and carbon. It's a really rare mineral. You can find it on the surface of the earth, but in such tiny little shards that there are very little value and you certainly can't make any jewelry from them. It was discovered well over a hundred years ago by a French gentleman by the name of Henri Moissan, he actually found these shards in the Diablo Canyon in Arizona, and he took it back to his laboratory and spent his entire life trying to recreate this very rare mineral. He was not successful but knew that there was something in hand here. It wasn't really until the scientists here in greater Raleigh at Charles & Colvard and some other industrial players figured out how to do it.

Suzanne: The challenge that Henri Moissan had is that when silicon and carbon come together in the earth atmosphere, they don't generally have an opportunity to come and match up. And that's because were exposed to oxygen in the atmosphere. And when silicon and oxygen come together, while it creates silicon dioxide and you get sand. So what Henri was missing is that you really needed to create a vacuum in order to create silicon carbide. And that's why we believe Nate, that moissanite came from the stars. We actually believe it came from a meteorite because it was out in the atmosphere where there is no oxygen, and silicon and carbon have the ability to come together. So fast forward all those years, 1995, Charles & Colvard was actually spun out of a local company in Raleigh here called Cree. Cree is one of the major industry manufacturers of silicon carbide, but primarily for industrial purposes.

Suzanne: Today, if they're publicly traded, you can look them up. They do quite a booming business supporting electric cars and solid-state electronics, even light bulb work where you use silicon carbide because it's a conductive material. But it just so happened that I had there was a happy day in the laboratory one day when they were playing with the formula and realized that they could take the color out of the substrate material. And that's when certain family members of Cree realized that they had a secondary business. And so those family members spun out and formed Charles & Colvard, and that's how the business began. And so we were exclusively focused on creating gemstones from this substrate material that on the other side of the business, goes off and makes industrial materials. It just so happens that it's gorgeous. And so moissanite has more fire and brilliance than any other gemstone in the world, including diamond. What that means is it's more sparkly, so when beams of light go into the moissanite gemstone, it actually has the ability to take one beam of light and split it into two. It's called a double refractive property. And so imagine that the gemstone emits more light than is in the room because it's taking the light and it's doubling it, which is pretty cool. So it's very, very sparkly and then it has more fire, which means it takes a white light and it can break it into its component pieces. So you get little pops of color that come off the gemstone as well. And the other thing that's gorgeous about it is that it's second in hardness only to diamond. And so as you're putting this beautiful gemstone into jewelry, you can pretty much be assured that it's not going to chip or scratch or break because it has a hardness unrivaled other than diamond.

Suzanne: And so for that reason, we actually guarantee the gemstone for a lifetime because we don't anticipate that anything's going to happen to it and, God forbid, if should something go wrong, we're going going to replace it for you 100% for the rest of your life. So the world's most brilliant gem. It just so happened though, and back to the beginning of the question about the jewelry, we were just making rocks. And it's really hard for a consumer to get emotional about a rock. I'm old enough to remember the Pet Rock, and that didn't go over for a very long period of time because there's nothing really emotional about a rock. But boy, you put that beautiful, sparkly rock into some white-gold or yellow-gold or rose-gold metals, and now you've got an emotional connection. So when I came on board and really started to give some serious thought to how to pivot the business, I was pretty sure that if you're going to build something direct to consumer, it can't be done just on gemstones. We needed to build two important things. Number one, the infrastructure through which we would sell, which is our omnichannel strategy, we'll get into that in a couple minutes. But number two, we needed to build jewelry. And so I don't come from the jewelry industry. It was important that I surround myself with some super smart people that have come from that industry. So I've got a great chief operating officer. He makes all of these things happen. He designs and builds the jewelry for us, he joins the gemstone with the jewelry, curate those collections so that the right jewelry goes to the right consumer on the right channel, and then we can check that box and go to market. And so we've been doing that since October of 2016 and that's why today, just a mirror near three years later, we're able to say that our online channels and this direct to consumer work is about half the business.

Nate: Wow. Yeah, so when I look at companies to bring them onto the podcast, there's always an element of skepticism. Whether or not I want to have them on, whether or not their business is interesting, and one of the things that I noticed when I was doing research about moissanite was that I would read the comments in some of the YouTube videos that would describe what moissanite is, what's moissanite jewelry, how it differs from diamonds. And the vast majority though, nearly 99% of people who had commented on some of these videos described your stones is hands down so much better than a diamond or a cubic syconium. And I found that to be really interesting, but one of the things that I'm still very curious about though is, how does a person like me who's thinking about buying a ring for, if I were to get married, I'm already married. But if I were planning on getting married and I wanted to see in person, how would I do that? Would I only have the videos online to rely on?

Suzanne: Oh, that's a great question. So, I'll back up one step and say, I think I have a few types of audiences. I have an audience that is very much either a millennial or an emerging Gen Z. In fact, I can tell you that roughly, half of my business, just a little over half the business, comes from that consumer age range. And so they're a fairly young

emerging consumer that is very comfortable buying things online. And so she'll be comfortable making a purchase, receiving it at her home, seeing it in person and trying it on her hands, and figuring out whether or not she loves it. And if the answer is no, she has no qualms about sending it back and getting a refund. And we don't have qualms about that either. We have a 60-day return policy for just that type of consumer that's comfortable with buying online and sending things back.

Suzanne: I've got a second consumer that needs to see stuff before they buy. And that consumer takes advantage of different parts of our omnichannel strategy like going to Helzberg Diamonds stores. Helzberg is a partner of ours. They distribute our product. They have a beautiful selection of Charles & Colvard jewelry in their stores featuring our forever one, which is our premium, very high-end gemstone product. And so most Americans, in a matter of two hours of a car ride, can see physically the product. It's a great show room for us. There are thousands of independent jewelers around the country that carry moissanite product, that receive it through our distribution partners as well. So it could very well be that your local mom and pop store might have it. But I would say Nate, for a lot of consumers today, visuals online will do the trick.

Suzanne: And so for us, we've built capacity here where we have a studio on hand and we can have just the right lighting so that you can actually see the performance of the gemstone in the right light. And videos really helps. I think down the road, if I'm extrapolating and thinking about the future of online buying for jewelry, I think things like augmented reality are going to play a role. The ability for someone to virtually see their hand on a device and then be able to try on a ring. I think there'll be a day for that. Technology is not there yet. You can place a table and chairs in your home and get a sense for scale. The scale of something like jewelry and body parts isn't quite there in technology, but the day is coming. And so I think we'll continue to shrink that gap between the just buying it blindly and then seeing it in store. I think that technology is going to help with that, but today's consumer is less fussed about that if they're in that millennial age range. As I go into my more mature audiences, as I go into say a Gen X or especially a baby boomer, they're absolutely kinesthetics. They have to see it, they have to try it, they have to look at it on their hand, and so that's why it's important that some of these outlets in our omnichannel strategy allow for that. That makes sense?

Nate: Yeah, it makes perfect sense. Thank you very much for that explanation. What about the social responsibility component to it? Is that something that you feel like the younger audience or younger consumer is more concerned about?

Suzanne: They are. My younger audience will tell me there's two reasons, well, other than the absolute beauty of the product, which thank you, you've clearly outlined, is what you're seeing in the market as you do your research on us. The consumer is seeing that as well, but where the rubber hits the road, Nate, is she is looking for two things. Either she is looking for social responsibility. So am I finding a company whose product and business are ethically oriented? And the good news for Charles & Colvard, our gemstone has always been made, not mined, but there's so much more we're doing today as a business to move ourselves toward being exactly that brand that that consumer would want to engage with. Just this past year, as much as 95% of our metals were recycled, and we have a goal to be 100% recycled in the near future. And that's important to us because we think more than enough metals have come out of the earth, right?

Nate: Yeah.

Suzanne: And there's... and it doesn't cost you any more to take a recycled metal versus one that that is freshly mined. And so we want to make sure that the entire product is ethically sourced. And so we're working on both our metals and our gemstone to do that. But there's other things that we can do with our business as well, just general business practices. Not using single use paper cups across the company, being smart about the impact on the

environment. And a very big chunk of my customers are interested in knowing more about that, so we're working on our levels of transparency to tell the story and help people understand why that company. You think about us in that way and let us tell you about the things we're working on in the future.

Suzanne: The second reason people come to us is because of our price. So let's talk a little bit, if you don't mind, about the price differences between moissanite and some of its competitors that are out there in the market. And I would say that the primary competition for us today is lab created diamond. They're making a very big play in the market and it checks a lot of the boxes we just talked about. It is, if it's an ethically oriented product. It also has a far better price point than say, a mined diamond. So if you've got a consumer that's comparing prices here and she took a two carat gemstone and she was interested in putting it in her engagement ring, she would spend maybe \$1,500 on a very high end Charles & Colvard moissanite stone. If she were to garner the same stone in lab created diamond, she'd probably spend 20,000 to 21,000. And we're talking D-E-F colorless, we're talking pretty much flawless as far as inclusions go. We measure our stone exactly the same way that a diamond would be measured. But here's where it's really interesting. When you compare it to a mined diamond, that could be as much as 40,000 to 45,000. And it's very rare to find a mined diamond that is that pure and has that quality of color. Diamonds are going to be priced all over the chart. But the truth is that there's such a gap between Charles & Colvard moissanite prices, and the truly next competitor, which is lab created diamonds, that for the value oriented shopper, she's going to choose our stone. If she wants a mined diamond, and that's sort of she has some of that legacy thinking, if you will, about the rarity and beauty of diamond, she's going to go with a mined stone. But if she's that ethically sourced and socially conscious oriented person, then it really will be between moissanite and lab created diamond.

Nate: Yeah, and I would imagine that the emotional connection for those people who just really want to have a diamond, if it's lab created, that's something different for them relative to a diamond that was mined. And I would think that moissanite then becomes ultra competitive relative to the lab made diamonds. But, I don't know, maybe I'm wrong.

Suzanne: Exactly.

Nate: Yeah.

Suzanne: No, I think you're absolutely right in. It's very much an emotional decision, especially when it's the ring that you're going to wear for the rest of your life on your left hand, right?

Nate: Yeah.

Suzanne: So it's really up to her and that's why we make sure that we're out there with a lot of educational material and just provide a good underpinning so folks understand about our stone and our company and our metals and all of that, and then she can make her decision. And you'll hear, I keep saying she, and you might be thinking, why aren't you selling to him? For the male that wants to introduce this gemstone, he's to ask for permission. We've learned in our marketing that we really need to market to the woman. She's the one that's going to say it's okay to choose a moissanite gemstone. And we have a profile here of our customer, and she's generally a girl boss and she knows what she wants. And so when it's chosen, do you have one of those at home Nate?

Nate: She's the boss for sure.

Suzanne: She's the boss. And generally, for our consumer, she knows that she wants moissanite. And not only that, she knows exactly which URL on my website represents the engagement ring she wants and she's emailing it to him saying, "It's okay if you propose to me with this particular ring, and I wouldn't mind you doing so in four weeks on

my birthday at this restaurant." So she's my customer. Now of course there's concentric circles of customers outside of that, and they take on many different shapes and styles, but the primary customer is this self-driven, very determined woman that knows what she wants and she's choosing the gemstone for those key reasons. It's ethically oriented, it's a great price. I can buy the gemstone of my dreams and still go on the honeymoon of my dreams. Or put a down payment on a home and not break the bank because of a gemstone that I'm wearing on my hand.

Nate: Yeah, yeah. Since you brought up my wife, I'll just give you a little story, which you might find humorous, but, so my wife's French and you probably are more aware of this certainly than I was, when I proposed to her, we met in Syria, I proposed to her in Turkey and I had to sell my camera. I had this nice Canon digital camera, I had to sell it so that I could afford a ring that had a diamond in it, and I gave it to her and she said, "Yes, welcome."

Suzanne: You couldn't take a picture?

Nate: Yeah, I couldn't take a picture but that's-

Suzanne: You couldn't take a picture of her.

Nate: So, I sold my camera, gave her the ring, and she did say yes, but then, yeah, I guess it's a cultural thing, but she hasn't worn the ring since or ever really. I think she maybe wore it until we got married and then she got the wedding band and she just does not wear any gemstone, have any interest in gemstone, she just put it in the safe. But, yeah, it was a pretty painful experience because I really loved that camera. Anyway.

Suzanne: But you know, it's not unusual that women who have meaningful diamonds would put them in a safe. And there's a customer for moissanite that has that mentality, so if I'm uncomfortable because of the value or the investment that was made in this gemstone, moissanite becomes very interesting. You can replace the diamond and put your diamond in the safe and then have a piece of jewelry with a more brilliant gemstone or have replacement jewelry. And we have a lot of consumers and shoppers with us that buy moissanite as travel jewelry because they feel more comfortable wearing it on a day to day basis or on their international travels say. And so, it's not unusual that someone with that thinking that put it in the safe and set it aside, it's an investment frame of mind would come to moissanite and find it as a viable product that they feel comfortable wearing every day.

Suzanne: So for that reason, I think we need to get your wife into some beautiful stud earrings maybe.

Nate: Yeah. No, I have another, let's not off subject, but just a little bit of a random question and if you don't want to answer it, that's fine. The question is this, when you think about just the gemstone, the structure of the market and from an outsider looking in, I think most of us understand that there's this artificial level of supply. Meaning the big diamond producers, big diamond miners, actually have these massive volts with just an innumerable number of diamonds in them and they're slowly letting them trickle out to keep the price point high. Is that something that you think about within the context of the market opportunity for your business?

Suzanne: Well, we do because I think that diamond pricing puts pressure on the entirety of the jewelry market, and so we watch it very closely. What we're seeing today is that lab created diamond, it's getting a whole bunch of attention and it's being driven by consumer demand. So she's looking for an alternative to mined stones. And because of that, the demand for lab created is increasing, the players coming to market are increasing, and in general, the prices for lab created are coming down as these providers learn to have more capacity and produce more goods than they can scale their business and the cost of bringing it to market isn't quite as high. And so there's quotes out there, but in general, the price of lab created is probably 30% less than it was two years ago, for example.

Suzanne: And for that reason, it's putting downward pressure on mined diamond as well. And so we're seeing some of those prices come down in order to react to what lab created diamond is doing in the business. The beauty for Charles & Colvard moissanite is that they're still quite a bit of space, as I said, two carat stone, \$1,500 in moissanite versus 20 some odd thousand in lab created diamond. There's still some room between us and so we're not quite seeing the downward pressure all the way down into the moissanite space, but it's something we're definitely keeping an eye on. I think that today's consumer demand and requirements and shopping patterns are so vastly different than they were five years ago. The entire industry is peaked and watching very closely and taking an interest in what's going to happen here.

Nate: Yeah, thanks for that. Roughly speaking, what is the sort of total addressable market, or put it differently, just the annual value of diamonds sold? Do you have a rough estimate as to what that number is?

Suzanne: Yeah, I've got some general numbers I could probably share with you. So the general market, somewhere around 88 billion is the diamond market. So if you look at lab created in and of itself, there's some quotes out there. And there's a gentleman actually, his name is Paul Zimnisky, he's an analyst in the diamond space, and he actually has some nice quotes for where he believes the market is going. He says that by 2023, the lab created space should be about 5.2 billion, he predicts that by 2035, it'll be 14.9 billion. So it's still a small portion of that \$88 billion diamond market, but it's growing rapidly. And this is where moissanite plays as well. So as lab created diamond takes a portion of the mined diamond business, so will we, and then, hey, if we have a couple points off of that market, then we're in good shape.

Nate: Yeah, definitely. And is that how you think about a reasonable range of growth for you? Just a point off of that demand for lab grown or lab created or is there another sort of?

Suzanne: Yeah, we look at it a little bit more bottoms up. So we consider... for long-term, certainly the total available market, we use that as a benchmark. But I think the more interesting thing to look at for us is the market for online jewelry. We're very much an online play. And as I said, over just the past three years, we've built this omnichannel strategy and this direct to consumer approach to market, and through doing it, Nate, what we've built is a whole lot of outlets where people can buy our stuff online. The online jewelry business is supposedly in the 75 billion range by next year. And that's between fine jewelry and fashion jewelry. That doesn't even account for bridal, but I don't know that a whole lot of bridal is expected to be an online business, but Blue Nile is doing quite a good job of that, so I think there's room for that as well.

Suzanne: But if we think of that as a \$75 billion opportunity in online jewelry alone, I think that's where we get excited because we've built a model here where we know how to go to market. And jewelry, I've learned is a bit of a laggard market. Most of my peers in the industry are very brick-and-mortar oriented and are struggling to get that online presence started up and working, we've done the pivot and we're there. And I think that gives us the advantage of having early mover advantage being out there and selling our goods to this consumer that wants to buy online. So we like that approach to measuring the opportunity and then we just look at it truly ground up from where we are today. We grew 16% last year over the prior year, and I know we'll cover it maybe in a minute about our recent capital raise. We believe that we've built a marketing model that's ready to grow, and so we just raised a secondary round of investment here to pour dollars onto that because we believe we can be growing much more than that 16%. We want to be in the 20 something ranges. And not giving you that as guidance, but saying we think that's the horizon here because we've got the dollars and the engine and the infrastructure to go and take that market.

Nate: Yeah, so again, another off topic, slightly off topic question, but how much of that \$75 billion online market is through Amazon?

- Suzanne: That's a great question. And I don't have the answer to that, but certainly it's a piece of it. I would say, Amazon, they're not a big jewelry destination. I think it's growing, and I think that they're getting better at it and there's more interest from Amazon, but there's plenty of outlets other than Amazon that that carry jewelry as well and you'll find it like on the helzberg.com site for example, or macys.com. Macy's is a terrific jewelry outlet for consumers. And so there's many, many places globally where she can find jewelry online. And that is a global number. So if you go to China, it's very different outlets there than it is here and there'll be different opportunities for her to find jewelry online in China.
- Nate: Yeah. Okay. Now, thank you for that. So I'd like to hear a lot more about this omnichannel approach. What is that exactly?
- Suzanne: Sure. So I think our definition is a little different than the standard industry. So let me start with the industry and what the definition of omnichannel is and then I'll give you our flavor of it. Omnichannel has been an initiative by the retail industry since online became a thing, to ensure that the shopper can move pretty seamlessly between physical stores and then online presence and be able to, for example, buy something online but bring it back to a store, and that there would be a continuity in the data behind the scenes at that retailer to understand where was it bought and what was the price that it was bought at and can we do a return? And what's the value that it should come back as a return? All that good stuff. For Charles & Colvard, we don't have physical stores of our own. We still have an omnichannel strategy because we have stores, it just happens to be with third parties. So for us, omnichannel takes on an interesting footprint. Number one, we have the charlesandcolvard.com website, and that really is one of our flagship selling vehicles. As I mentioned, half of our business now is online, half of that online business is through my website. So the good news here is that we've done a great job of starting to bring eyeballs to our own brand. And as you pointed out I think in earlier dialogue here, it's also a fairly high margin business because we don't have the expenses of middlemen between us and the consumer. So we like that model.
- Suzanne: If we move toward more the breadth of online channels, then we add in things like marketplaces. So you'll find us on Amazon in the US, and we launched in earnest in October of 2016 on Amazon, right around the same time that we hit the hard reboot for the company, when we became much more of an online retailer. We've spent a good year figuring out how to do Amazon well. And so we had done fulfillment by Amazon initially, we gained our badge, which we were very excited about, which means that we were then flagged as prime, and so after a time and living into our requirements with Amazon, we were given the ability to fulfill by vendor. And so we actually shipped from our warehouse to folks that buy our goods through Amazon and it takes a little time to grease the skids and build the model and we're there. And so, Nate, what we did over this past year, once we burned in that model and we understood it, we lifted the model and we took it to other places in the world. So over this past recent year, we went live on Amazon in Italy, Spain, France, Germany, Japan and Australia. And what this allows us to do is take a very low overhead way to enter a market. Amazon's pretty simple once you have it stood up, you post your listings and you see what happens. Amazon does all the work of bringing the eyeballs. Now granted there's still some work to get those eyeballs all the way to you and there's some peripheral search engine work that you want to do and there's maybe in line advertising that you do on your Amazon platform, but essentially you post the goods, Amazon brings the customer and things can happen. And we think of this as a very agile way to try new markets. So for us, what happens is we'll throw up all of the core assortment of Charles & Colvard moissanite product, and we see what she buys.
- Suzanne: And what that does for us is it tells us, number one, yes, I have a consumer in that region, and number two, what do they have the propensity to buy. We're learning about differences in the type of buyer, region to region by letting Amazon do the heavy lifting for us. Once we've figured this out, not only can we curate the goods on that Amazon presence to make sure they're more attuned to a local audience, but we can also then consider if there is a meaningful audience for us, how do we build more of a localized presence for ourselves? And it can be

subsidized by the dollars that you're generating by having that Amazon presence. So going further into the online strategy, so we've got our own .com site, I've got marketplaces, I also have third parties that I sell through that online channels as well. So we have what's called a drop ship program, and it allows us to sell through third parties without them having to take pretty much any overhead or ownership of moissanite product.

Suzanne: Imagine that we can push listings onto macys.com, we can push listings on to overstock.com, we can push listings onto helzberg.com, again, these retailers do the job of bringing the eyeballs. We put the listings up and then when something hits someone's shopping cart and it's paid for, it's dropped by Charles & Colvard directly to the consumer. So basically it's a shared revenue model with the retailing partner. So that's online channels. We also have online social channels, and they're becoming transactional themselves as well, Nate. So you'll find us on Pinterest and Facebook and you'll find a presence on YouTube. And some of these like Pinterest have shoppable pins where people can not only pin your product and learn about your product, but in some cases, click and actually purchase directly. So we're very proactively working on commerce that happens through social media presence, and of course at the same time, it gives us that opportunity to take video clips or photography that we have lifestyle shots, user-generated content and share it out on those social channels so we can begin having a dialogue with the consumer as she's coming to us on these sites.

Suzanne: That shaped my online channels. But then there's a whole other half of the business, Nate, that is traditional. And that is distributors globally that buy more the loose gemstone and turn it into jewelry or sell it into independent jewelers, as well as brick and mortar retailers, and they sit on that traditional side of our business. For example, we do partner with Helzberg Diamond stores and you'll find us in nearly all 200 of their doors with three or four linear feet of case line and we show our goods there. But all of that revenue is recognized under what's called traditional channels. And together, online and traditional make the whole that is our omni-channel strategy. That was a really long answer. So pause and ask if you have any questions.

Nate: No, that's great. That's super helpful and it's really interesting. And as somebody who's trying to market a podcast, it's a fascinating lesson for me to learn, but that also leads me to another question just specifically with respect to marketing and your capital raise, where do you expect to put those dollars? Is it YouTube videos? Is it through, again, going back to social media or, yeah, if you could just describe where you're going to be spending those marketing dollars, I'd be really interested to know.

Suzanne: Sure, we took the last year or so and really drilled into the analytics of our marketing funnel. We've built an engine here and the good news is for every dollar that goes into that marketing funnel, we know that we're generating \$2 to \$8 back out, \$2 at the top, at the awareness level, Nate, and more blended \$4 or so in the middle, and then \$8 at the bottom where somebody comes in and they just know who we are and they're just going to click and buy. And so we're making dollars as we're investing it, which is the good news. And for that reason, we believe that taking a good chunk of these proceeds and investing it in digital marketing is the way for us to go. So what we want to do is make sure that we're focused on parts of the funnel that we couldn't focus on when we were capital constrained. So as we were really working hard to become profitable and really working hard to make sure that every marketing dollar return to very high investment, we were focused on people that were predisposed to the brand. So if you already knew about moissanite, or you already were looking for a lab created alternative, you would easily come into our marketing pipeline and we could convert you. And it didn't cost us much, it was about \$220 of advertising spend per new customer that comes in the door, and the good news is, my average order value is over a thousand dollars. So we're creating profit from each and every customer that comes in. What we weren't doing enough of is getting the new eyeballs. So really the go forward strategy here is where the rubber hits the road for the future of Charles & Colvard, is bringing more eyeballs to the brand.

Suzanne: And so as we start to invest these dollars, we're investing them in more awareness campaigning. So imagine, yes, YouTube videos, but maybe they're more fun and interactive than they are. Here's a product that you might buy. Imagine it's a style guide video where I show you how to pair two kinds of stacker rings together to create a great look for going out in the evening. And it's not a hard sell, but it's an awareness capability for us where we can put not only the design in front of someone, but the concept for how you might wear it, and it just so happens is moissanite, which is a terrific lab created option. And so it opens the door. We need to do more door opening in order to have more eyeballs come in so that once we get you in that marketing pipeline, we can convert you. And we think we're at that inflection point and the business is at an inflection point where it's time to really pour those dollars in, and that's why we did the capital raise. We thought we were very much at a point where we had built the model and we had figured out the online channels, the omnichannel strategy had been put in place, now all we had to do was bring people to it. Sounds a little field of dreams, but it really is. We had built it and now they'll come, but they'll come because I invest in finding them and inviting them to come in and engage with the brand.

Nate: Well, I can tell you that roughly 40% of my listeners are female, so new female ears are listening to you talk about this right now. So hopefully that helps as well. This is-

Suzanne: Thank you for that. Hello ladies!

Nate: And so could you talk just a little bit about your competitors? Who is the competition? Do you have many?

Suzanne: So yeah, it's a good question. And we talked a little bit about some of them. I consider mined diamond a competitor. I consider lab created diamond, probably my closest competition. But we love them. It's a great opportunity because the lab created diamond industry is pouring tremendous dollars in promotion, and that helps bring eyeballs to us. So I wouldn't call them coop-etition, they're not cooperating with us, but they're certainly adding value to what's going on with us and they're bringing value to lab created, which is I think a big boon for Charles & Colvard. But Nate, we also have competition in lab created moissanite. So, as I mentioned, we had the patent on bringing moissanite to market for the first 20 years of the company, and we went off patent a couple of years ago. We're seeing some competitive product come to market. It's primarily out of Eastern countries, and I would say they're starting at the market where we were some 20 odd years ago, they're iterating really quickly. Every once in a while, you'll find a quality of stone that looks quite a bit like us. We're not seeing it yet in the volume and the clarity and the quality of the stones that we produce in mass and we know it takes some fortitude and some effort to build a business like ours at scale. And so we're watching the moissanite competition that's coming into market, but I would say the one that we feel like we really need to make sure that we're ahead of or in step with is the lab created diamond efforts.

Nate: Yeah, and just again, going back to the research, I heard something about no color diamonds and how Charles & Colvard is one of the few companies that actually can produce no color. Is that true, first of all? And then second of all, could you just describe what that means?

Suzanne: Yeah, so when you buy diamond, there is a grading scale. And so the GIA will look at your stone and say, "Oh, this is a D or an E or an F." Which means it's in the colorless range. It has no body color to it. You get into G, H and I, that's called near colorless and it has a, you hardly can tell through the naked eye, but a trained gemologist will look at the stone and say, "There's just a little bit of body color in it." And the scale goes all the way down to Z. And so you pretty much can then start to see a gray or green hue to gemstones as you go further down into the grading scale. And then there's the clarity piece. And clarity has to do with what are the impurities that are inside the stone?

Suzanne: So the more and more inclusions you have, the more your clarity level decreases. And so gemstones, diamonds, and moissanite and lab created diamonds, are all graded on this same scale. In 2015, we had an engineering breakthrough at Charles & Colvard, and it changed the formula for the moissanite that we brought to market. And it created this new type of product where we took all the color out. So it took some reformulating in some ways that we adjusted the growing process of creating the gemstone, but when we did, we were finally able to get the color out. Up until 2015, when we were creating products that you might see as forever classic or forever brilliant out there in the market, they still had body color to them. The best we could do was a G graded gemstone, but after 2015, we announced what's called forever one, and it is our premium gemstone. It has no color in the stone, and because of a special patent that our supplier has, we virtually have flawless stones as well. They have little to no inclusions. And so the grading of them for clarity is incredibly high. It's hard to match unless you are a lab created stone. Stones that come out of the bowels of the earth are going to have imperfections in them. Stones that are made in a clean room environment are a little more controlled, and that's what we've created here with our forever one product. And the beauty for us is that our supplier who happens to be Cree, the company that we spun out of some 24 years ago, they have this patent on what's called micropipe-free, which basically means they have a process for creating our silicon carbide in such a way that the imperfections stay out of it.

Suzanne: And so it limits, again, these imperfections that you might have. We are exclusively the only company worldwide that has the ability to buy that base material or substrate material from Cree. And so it gives us a little bit of a leg up, and I think probably why it's hard for our competition to be coming to market with anything comparable to forever one because they don't have the right to this growing process that makes our product so incredible. And you will find, Nate, you'll find the E, F nearly colorless diamonds whether mined or lab created. It's just they're harder to find and the price then goes up. And that's what that price range was that we talked about a little bit earlier. \$1,500 for a colorless moissanite stone that's two carat, \$20,000 ish for a two carat lab created diamond, \$44,000 or \$40,000 for one that comes out of the ground that doesn't have any color. And again, very rare.

Nate: Yeah, big difference. So just are there any recent or important developments you'd like to share here?

Suzanne: Well, actually your timing is good. We had one just today. We just announced that we are now bringing to market platinum metals, and again, completely recycled metals. We're really, Nate, about responding to market demand and we want to make sure that we're bringing the right product to the right consumer at the right time. We've recently been getting a lot of inquiries about platinum for two reasons. Number one, it's a premium metal and people think of us as a premium jewelry product, and so they're interested in having the alternative of having platinum goods. But in addition, there's just some folks that are allergic to some of the alloys in say, gold, and it turns their finger a dark color. And so in responding to both of those customer demands, we've brought platinum to the market. For the allergic customer, we've brought a hypoallergenic option forward, but for the breadth of customer, we've further elevated our product by putting it into platinum metals. And so we just announced it, it's on our website just in time for holiday, and it's an example of how we plan to be careful in growing this company. We listen and we let the market tell us what it is they need and then we'll react to it by curating and managing product that comes to market. When we think about going internationally, that's really important. I think that we're learning and I think you'll see in our curation, that the customer in Spain is very different than the customer in say, Germany. And they like different sizes of gemstones, they like different kinds of jewelry, and so as we're honing our omnichannel and go to market strategy for the coming years, it's really about bringing the right product to that right customer. And so we're super excited about having platinum out there. Just a little bit ago, we brought tantalum to market. You'll see in our new men's bands, which is pretty exciting, all out on the charlescolvard.com website.

Nate: What is tantalum?

Suzanne: It's a type of metal and an eco-friendly one, so I encourage you to go take a look at. So you'll find it on, again, charlesandcolvard.com and there's ways you can filter by types of bands. You can look at men's jewelry, and you'll see some examples. It's a little darker in color. We're finding the trend right now for men is not like a white gold or a platinum ring, it's generally the darker tones, and so this brings more of a gray to black look to the metals.

Nate: I see. Okay. And as I was looking at some of these moissanite videos, it was... I saw one about silicon and I guess silicon is becoming more popular for men to wear as rings, which I had no clue. I've never seen somebody with a Silicon ring, but anyway-

Suzanne: Yeah. Yup, there's some crazy things out there. There's people that tattoo their engagement ring on their finger.

Nate: Yeah, better hope you don't divorce, right?

Suzanne: Right. Or you can definitely remove a tattoo these days.

Nate: This is in. That means there's two levels of pain there. The separation and then the pain of clearing the tattoo.

Suzanne: Then you remove all the tattoo.

Nate: So you mentioned earlier you were talking about the growth in the online market and you didn't want to give guidance with the 20%, but what do you think is like a reasonable range? So again, this isn't guidance, and I'll emphasize that to listeners. This isn't guidance, but what is a reasonable range that from your perspective for Charles & Colvard?

Suzanne: Well, so this past year, Nate, we grew 16% over the prior year, and that was again, while we were heads down working very hard on our profitability, and working with a constraint in capital. After this capital raise, we brought in 11 million growth, about 10 million or so net, it's really creating that opportunity for us to lean into digital marketing. So while I won't give you numbers, I can tell you that we are absolutely looking for growth, especially top line growth is where we're really leaning in and bringing more eyeballs. I will say that what we've learned is there's a natural lag between when eyeball comes and when the transaction happens. And so we'll start to lean in as we get ready for and prepare for holiday, for 2019 holiday, where we're taking this quarter that were in our Q1 and we're making it an investment quarter, really starting to pour in those dollars in order to bring the consumer to us. We think naturally, she's going to convert probably a quarter out. It takes eight to 12 or 16 clicks for someone that's brand new and has never seen us, to start to engage with the brand. And so she needs to see us on YouTube and engage with us a little bit on Facebook or Pinterest and then go do her homework on Google and see what pops up when she says moissanite and then click and find Charles & Colvard once again. And once she's gone through this and then we get her into our marketing funnel and she's cookie'd, then we can start feeding her re-targeting ads that are a little more attuned to maybe to kind of product she had clicked on and looked at, and the dollars that we've gained through these proceeds will allow us to do that type of marketing. And we're certain that it's going to have an impact on how we're able to convert more consumers.

Suzanne: So I anticipate the top line to grow, I anticipate our growth rate to grow. It's early days, so we don't know the exact numbers. We just know that the model is built and it's proven itself and now it's a matter of measuring carefully as we pour the fuel on the fire. The good news is that these dollars and where we're putting them is very digital. And what we love about digital marketing is that you can dial it up and dial it down depending entirely on how it's performing. And you can do that on an hourly basis if you so choose. And with the analytics that we can get today in the visibility into how we're performing, we can easily move dollars from one channel to another or vehicle to another based on performance. You may have thousands of dollars in a particular bucket, but you find that you

tap out after a few hundred, you move them to another bucket where it's far more productive. So between careful analytics and smart digital marketing, that's where we're going to really make the difference here.

Nate: Yeah, I would imagine that's probably a positive aspect of your business too from the perspective of somebody who might think that there's a recession on the horizon. The fact that you can dial back your marketing and I guess, is your marketing outside of cost of goods sold? Is that one of your biggest expenses?

Suzanne: It hadn't been, but because that was really the one big variable that we could dial out when we were busy working on our profitability, but, yes, we anticipate that we're going to dial it up so that we can make that top line difference.

Nate: Yeah. Yeah, so could you talk about margins, again, just a range for what you would like to see for the business longer term?

Suzanne: Yeah, sure. I'm happy to do that. We're pretty happy with our margins. We like the fact that we're in the 40 some odd range and I think that's what our shareholders should expect us to be working toward generally. We were 44% gross margin in Q4 that we just closed. For the full year, we were 46% gross margin for fiscal year 2019. We have a fiscal year that ends on the end of June, and it's really nice numbers compared to the prior four quarters, that we were at 40% margin. The prior four quarters ahead of that, we were 39% gross margin. And the reason that it's going in that positive direction, is because of our expanded online channels growth where it was, again, we give away less of our dollars for the privilege of being on those online channels and especially the growth of charlesandcolvard.com, which again represents more than half of our online sales and saw roughly 50% growth last fiscal year over the prior. It's where we see our highest margin and where we continue to want to take those digital dollars and apply them so that people come to charlesandcolvard.com. And if they come here and still decide to purchase somewhere else in our omni-channel network, we're absolutely thrilled and happy for them to do so, but we love it when we bring those eyeballs and those dollars here. We think it's the best and most immersive brand experience. You can learn who we are, you can see our social responsibility in the work that we're doing there, we can talk to you about our brand and you get the best selection when you come to charlesandcolvard.com. And so we think because of that, the more work we do with digital marketing bringing folks here to our site, the more we're going to be able to impact that growth.

Nate: Yeah, you don't have any debt-

Suzanne: Right.

Nate: But you have cash on hand, which part of that is part of the equity raise. What are your high level thoughts towards debt for your business and, yeah, why not... why didn't you just go out and get-

Suzanne: Why not debt?

Nate: A term loan for, yeah, 10 million bucks?

Suzanne: Yeah, the board and the management team talk about that frequently. And in fact, when we felt we were ready to do a capital raise, we talked about doing debt. It was actually one of the first things that we looked at. We went out, we got some term sheets, and what we found is that the cost of capital and some of the terms that we would have to deal with in order to bring on debt just wasn't comfortable for the company. And I think maybe our size has something to do with that, but we wanted to make sure that we could remain as nimble as possible and being

tied to these terms with the debt just didn't work for the company, especially the time frame in which to pay it back without that incurring some additional challenges. And we were talking warrants and things like that and we didn't have any of that enter into the deal that we did with our equity raise. So we wound up comparing the two, a little bit of debt, a little bit of capital from our equities, and we found that in raising the capital through our public offering was the better thing to do. We wanted to make sure... and the timing was right. We felt it was a reasonable time for us to do it, we had this inflection point in the business, we really wanted to meaningfully expand the business, but we wanted to do it in the best possible way for our shareholders, and we didn't think that at the time was the way to do it. We do have a revolving line of credit that you're probably aware of. It's through White Oak Capital \$5 million. So if we had a short term something that we needed to do or wanted to do strategically, we do have that \$5 million sitting there but now we have about 13 million as a balance in cash that's available as well.

Suzanne: And I don't want my shareholders or potential shareholders to think that we're going to take \$13 million and immediately pour it into digital marketing, we're going to do so in a very structured and measured way. So this is a multi year opportunity for us to use this capital, and at the same time, it leaves a little bit of dry powder to make sure that should every strategic move come along that, we've been talking a lot about this lab created diamond industry, it's an interesting time, and should opportunities present themselves for us to pivot and be more strategic or competitive, I want the ability to do that. And that's what these dollars sitting in the war chest are going to allow us to do.

Nate: Yeah. Yeah, definitely. So your company has been profitable for four consecutive quarters, you do create free cash flow based on the numbers that I've looked at and the estimates that I've seen shows that you'll be generating free cashflow going forward. What is your philosophy with respect to shareholder returns?

Suzanne: So we believe that we have leveraged here and we can execute our global growth strategy in a pretty flexible and scalable way through this omni-channel strategy that we have. We've got these very positive results, we've got positive cash flow, we've got ways that we can invest in the business now, and so for us, we feel pretty strongly that it's time for us to make this investment in our business. I don't think that you'll find us paying a dividend and giving these dollars back to our shareholders at this time, doesn't mean that in the future it's not something we would consider, but right now we really feel like in order to garner that attention from consumers, in order to get the eyeballs to the brand, in order to drive folks to our .com site, it's really time to take those dollars and put them into play. And we'll be careful, as we said. Careful continued measurement of this customer journey and making things happen, but there's so much opportunity out there, Nate. We haven't even scratched the surface on building the digital presence in these international markets that we've begun to stand up, and we think that there's more to do to expand the footprint here in the United States. I'm reticent to tie up that capital in anything other than investing in that top line and bringing more revenue to the company. Does that make sense?

Nate: Yeah, it does. And was there some urgency with respect to marketing and advertising and that \$11 million equity raise that compelled you to do that, even though you are generating cashflow, you're generating free cash flow, you could maybe spend some of this cash over a period of time, over a period of years and maybe slowly invest in the marketing aspect of your business as opposed to issuing equity?

Suzanne: Yup, I think honestly there is an urgency in the way that lab created is making its way to market. If we're not part of the conversation, then the conversation is going to pass us by. And so, the trickle of profit that we're making quarter over quarter is not enough to pour the kind of fuel on this fire we need in order to gain the eyeballs that we need at this time. There's a moment in lab created that's happening right now and we want to make sure that we're at the table. And so that is why the capital raise was critically and time-sensitive for us. And we wanted to do it in time for this holiday, which is our Q2 is our biggest quarter of the year, and we felt it pretty important that

we have the dollars to pour into the digital marketing that's going to ensure that we have a meaningful holiday season and that rolls into our Valentine's day, which is our second biggest performing quarter. And so yeah, the market is dictating the timing for us because lab created is very venture backed, so there's some very deep pockets here that we're up against from a competitive standpoint, and we need to play. And so that's why the race.

Nate: Thank you for that. I actually think that's an amazing answer and, yeah, I can see the need personally. So just a few closing questions. Knowing what you know about your business and assuming you weren't a shareholder, what do you think is the most important thing you need to get comfortable with to make an investment in Charles & Colvard?

Suzanne: So, I think that it's important for an investor to be comfortable with the market that we're going into and the way that we're doing it. So they would have to be very careful that we're taking a very online go to market approach to the business, that's critical to our success. It's critical to the margins that we're making, as opposed to some traditional thinking, which is what I get from some of my shareholders. Why aren't you doing more brick and mortar? Brick and mortar is a fairly expensive proposition for the company. It comes with consignment terms, which force us to carry a lot of inventory, and it's not the most progressive way to reach today's millennial or Gen Z consumer. So it really takes an investor that has an understanding of recent go to market strategies and in a comfort level with them.

Nate: Yeah, what do you think is the biggest... what do you think is the market's biggest misconception about your company's investment thesis or story?

Suzanne: Misconception. So-

Nate: Or I guess I could put it this way. Let's ask it a little bit differently. What do you think are the biggest challenges for you as a micro-cap company within the investment universe today? Obviously, you would like to have your share price higher so that way-

Suzanne: Sure.

Nate: To grow, you could issue shares and you wouldn't dilute as much as if you were at this current market cap, so what are some of the biggest challenges as a micro-cap company today?

Suzanne: Sure. So, and I'll answer both sides of it, Nate. So I think one of the biggest challenges as a micro-cap is just getting the awareness and the attention to the ticker symbol, right?

Nate: Yeah.

Suzanne: Like having folks pay attention to CTHR. And we do a fair amount of investor relations work and where we've got emails that go out on a regular basis about the work we're doing and we go to investor conferences and we do non-deal road shows, but I don't know that we're getting in front of all the right people to help us get the brand out there, and it's actually for that reason that the capital raise was interesting for us. It brought over 25 new institutional investors to the table. We would have never been in front of those folks before had we not been doing a raise. And so it really helped change the profile of the folks that are invested here and we're thrilled to have them as part of the portfolio, but I think just as a micro-cap in general, it's an awareness thing. I would say from a general business standpoint and the way that people perceive us, there's a couple of misperceptions. I'll give you two. Number one is what I was just talking about with brick and mortar. I think there's a whole lot of

emphasis from investors and potential investors in the importance of brick and mortar in our business model. I think there's almost a, I don't know, an anticipation like are they going to bring yet another retail partner to bear? I would think that if these investors are listening, they would say, "Boy, I hope they don't bring another retail partner to bear."

Suzanne: Nate, we would pick the right retail partners of course, and I will not shy away from retail as it presents itself, but it would have to be the right retail Nate, because it's expensive. And retail typically has a 12-month term. And so, we're going to go and we're to create jewelry. It's going to take us three months to build the jewelry for a jewelry online of her jewelry store, we're going to put it in there and it's in 12 months later, we're going to realize revenue from it. And that's a really long putt. Where if I put something up on an Amazon site in Italy, I can be making money tomorrow. And so, I really have to weigh very carefully the importance of brick and mortar in the big picture. And I worry that there's misperceptions because we're not closing more brick and mortar opportunities that we're not being proactive in the market when in fact we are. So, I would encourage folks looking at the stock to measure online sales growth versus traditional growth. Brick and mortar lives in traditional and online is where we sell for our own .com site and marketplaces. So I would say that that's probably a really big one. The other one, and this is maybe, I'm opening a can of worms here, but the other one is our inventory. There's a lot of misperception about our inventory. We carry a fair amount. We've got about 30, I don't know, 33, 34 million in inventory that sits on the shelf, and we did 32 million in revenue this past year. So we're just about... we're just a little shy of one times turn on our inventory. But if you're going to do an online business, you need to be ready for the consumer the moment she has that propensity to buy a good, and if she's choosing it and she's putting it in her shopping cart, she doesn't want to wait three months for it to show up on her doorstep. She wants it tomorrow, right?

Suzanne: There's times when you can do a made to order item, a lot of our bridal work is actually made to order. There's no reason for us to have a big collection of bridal rings sitting on the shelf when she has the ability to go and pick and choose and we can go make it for her. So there's an opportunity for us to do made to order, which lowers the inventory, but all of our marketplace work, all of the work we do at drop ship partners like macys.com, overstock.com, helzberg.com, it all needs to be ready today, and so we carry this inventory in order to be reactive to that market when they say, "Yes, I'm interested in your product." We want to say how high, when she says jump. And we want to be ready with the product so we can deliver it to her doorstep, and it requires carrying inventory in order to do that. So those are a couple of the misperceptions. I would say maybe one of the opportunities overlooked is truly our conscientious consumerism that we have here. We really appeal to this millennial and Gen Z that is about the socially and ethically responsible product. And sometimes I think the investment community overlooks that, although I will say, we have some new institutional investors since our raise, that really are about green investments. And they are very much about putting dollars into companies that are in fact watching their footprints and paying attention to the product they're bringing to market. And so that appeals not only to the consumer, but it appeals to some of these institutional investors that see the upside for being that ethically oriented organization. I think in general, the investment community at times overlooks that opportunity that we have hold of, and we can take advantage of.

Nate: Yeah, I know that you spend a lot of time speaking to investors about your business, but from your perspective, what is the most important question that never gets asked and why? Oftentimes, you get investors that sit in front of you and they just ask what they... they ask the questions that they think are important, and sometimes there are questions that you as the CEO who you're neck deep in your business day in day out, and you maybe after an investor conference, you go home and you're like, "Why doesn't anybody ask about this?" And I know that for some companies, those questions, there's a lot of those questions or at least those questions that don't get asked, and then for other companies, they feel like, "Well, they've covered all the bases. I can't think of it."

Suzanne: I would certainly say the conscientious consumer is the one it definitely fits. For us it's about being an ethically oriented business. And we think it's an advantage for not only our consumers who are interested in buying that product, but for our investors. There's a handful that understand it, and we've had a few come into the business through our capital raise. They invest in green investments, but too often we're not asked about this ethical stone and how these ethical metals that go around them and why that's important. When in fact it's a movement in the industry, I just don't know that it's necessarily a big enough movement or a hot topic in the investment community, that they're realizing that this is absolutely an opportunity for differentiation for Charles & Colvard. So we think that's missing. And I guess the other one I would give you, Nate, is that I don't know that there's enough attention brought to how E-commerce is going to change the retail business. It's a significant thing. Retail last year grew at 2% in general and E-commerce itself grew over 12%. And it's because today's consumer is going online and changing their buying habits, and rather than being worried about how Charles & Colvard is going to bring more brick and mortar to the table, which is very frequently a question that I get, the question really should be how are you addressing the change in consumer behavior, and is E-commerce the way to get there? And the answer is yes. We need to have a digital marketing presence. We need to be on digital selling channels. We need to be offering shoppable pins in Pinterest because that's where she is and where she's making her decision.

Suzanne: All the spending power is going to this millennial generation and then very soon the Gen Z. And so investors typically are people that have been around the market for awhile and have built their wealth in many cases. I'm with a family office, we've got some dollars that we can spend, but you're not necessarily my buyer. My buyer may very well be a 25 year old, but she's not you. And she's not predisposed to the thinking that you had about diamond or how you felt like you needed to go to a jewelry store in order to make your choice about the wedding ring that you bought for your fiancé. Today's consumer is completely different. And if the investment community doesn't take the time to understand that kind of consumer buying, then it's hard for them to realize the kind of investment they should be making in retail and direct to consumer oriented stocks. And that's exactly what we are. We're an E-commerce and direct to consumer stock. And so if you're a green oriented investor, let's talk and let's have a dialogue about it. But until you have today's point of view, it's hard to understand what it is we're doing because we're being progressive and we're breaking the mold. And we have one step ahead of most other people in this retail environment, and we're going to go now because we've got to beat on it and we're going to act on it.

Nate: Yeah. Well, Suzanne, thank you so very much for your time. It's been an absolute pleasure talking to you and getting to know you and learning about your business and I really do appreciate your time and, yeah, hopefully this will reach some investor ears and also some potential customers.

Suzanne: Well, it's been a pleasure, Nate. Thank you very much for reaching out and inviting us to talk today. I've really appreciated the creative questions and the dialogue and thanks for having me with you.

Nate: My pleasure.

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