



WHITE PINE

WHOLESALE LLC

THE RECYCLED DIAMOND & DIAMOND JEWELRY



Market Report | Q3 2021

COMPILED BY WHITE PINE WHOLESALE LLC

FOREWORD

Welcome to the White Pine Quarterly Recycled Diamond & Jewelry Report. The purpose of this report is to give insight and visibility into the world of diamond recycling.

2020 was a year like no other. The global pandemic created supply disruption on one side and enhanced jewelry demand on the other, causing all of us to question our sourcing and bringing alternative sources to the forefront. In addition, environmental concerns and the enhanced politicization of these issues has focused attention on the circular economy. The resale revolution is ongoing and companies are plowing ahead with marketplaces in the luxury sector, but an equally important facet of the circular economy is materials recycling, a form of upcycling.

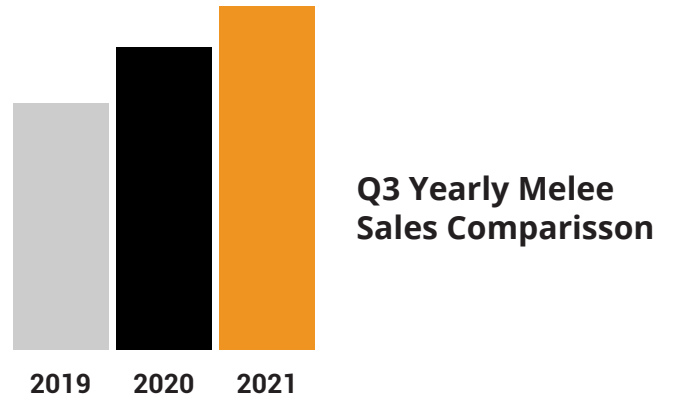
Not enough attention is being brought to recycling in the diamond industry, even though it has been going on behind the scenes for centuries. This report will shine a spotlight on recycling and provide important insights that will allow you to scale up the use of recycled diamonds within your business.

We are always interested to hear from anyone and everyone who operates in the recycled diamond business, please feel free to contact us with your insights and anecdotes or simply to discuss an area of common interest.

Enjoy the first recycled diamond & jewelry report!

Q3 VOLUME COMPARISONS, 2019-21

39% increase in sales versus pre pandemic levels



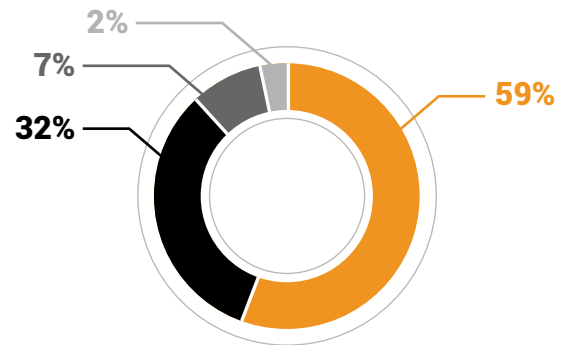
MELEE SALES

54% increase in VS sales vs 2019 Q3 pre-pandemic

48% increase in SI1 sales vs 2019 Q3 pre-pandemic

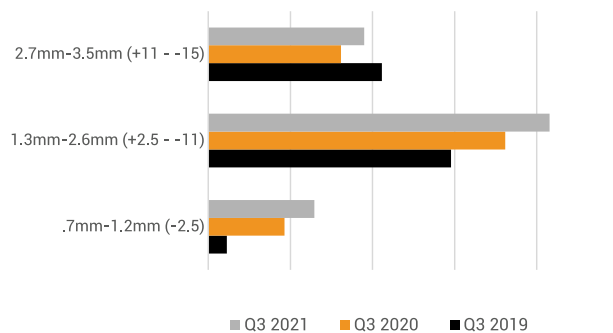
26% decrease in SI2 sales vs 2019 Q3 pre-pandemic

I1 category is flat

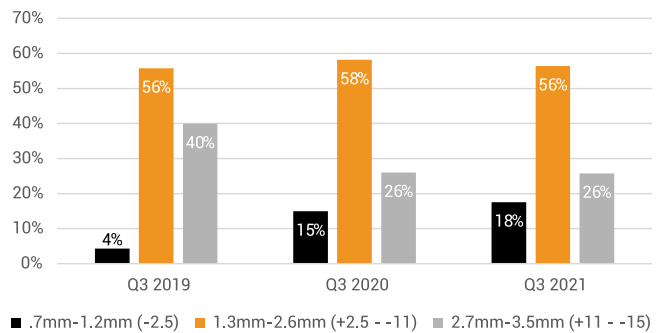


CONCLUSION:
The market refocused on quality

Q3 Melee Sieve Size Sales Breakdown



Q3 Melee Sales Breakdown By % Of Sizes



POINTERS SALES

60% decrease in VS sales vs 2019 Q3 pre-pandemic

35% decrease in SI1 sales vs 2019 Q3 pre-pandemic

150% increase in SI2 sales vs 2019 Q3 pre-pandemic

280% increase in I1 sales vs 2019 Q3 pre-pandemic

 **CONCLUSION:**
A move to more affordable qualities



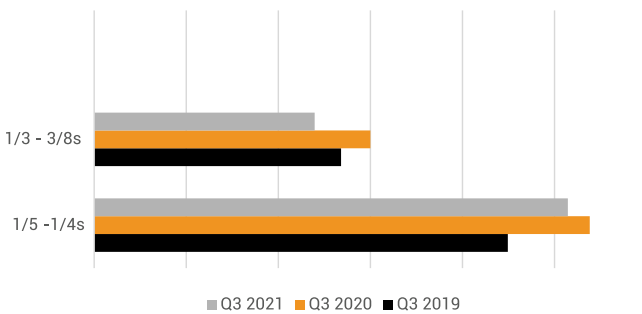
Q3 Pointers Quality Mix

VS 17% SI2 37%
SI1 11% I1 18%

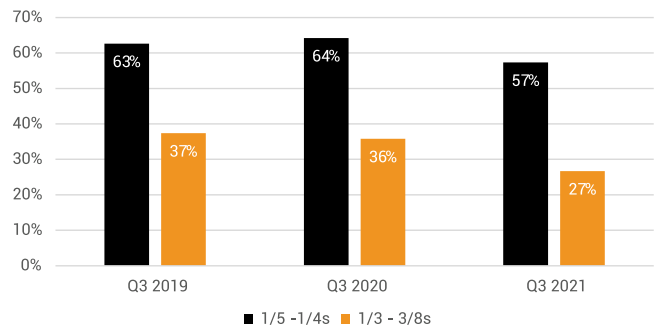
Notable shifts to SI2 and I1 between Q2 and Q3 of 2021

| | VS | SI1 | SI2 | I1 |
|---------|-----|-----|-----|-----|
| Q2 2021 | 17% | 56% | 18% | 5% |
| Q3 2021 | 17% | 11% | 37% | 18% |

Q3 Pointers Sales Breakdown By Size



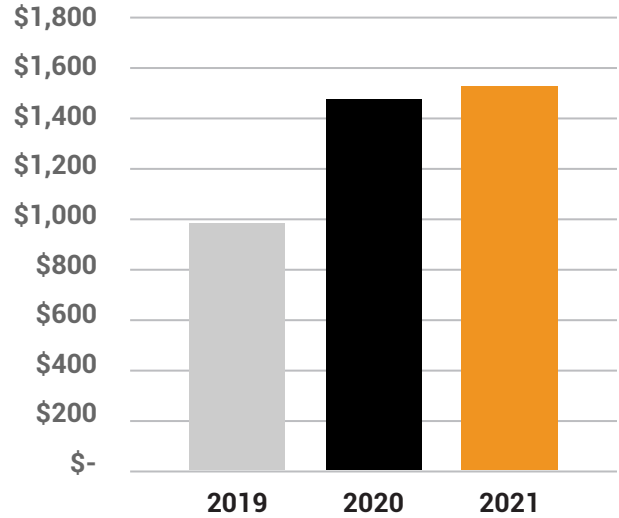
Q3 Pointer Sales Breakdown By % Of Sizes



TRANSACTION SIZES

58% increase in transaction size from Q3 2019 to Q3 2021

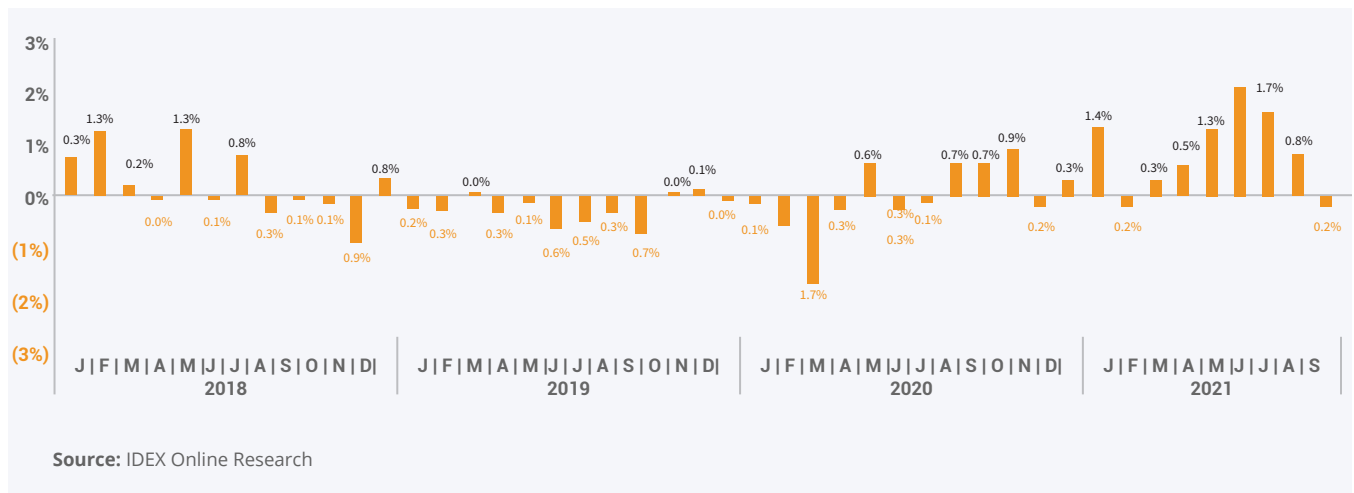
Average Q3 Diamond Sales Per Order



MARKET PRICE MOVEMENTS

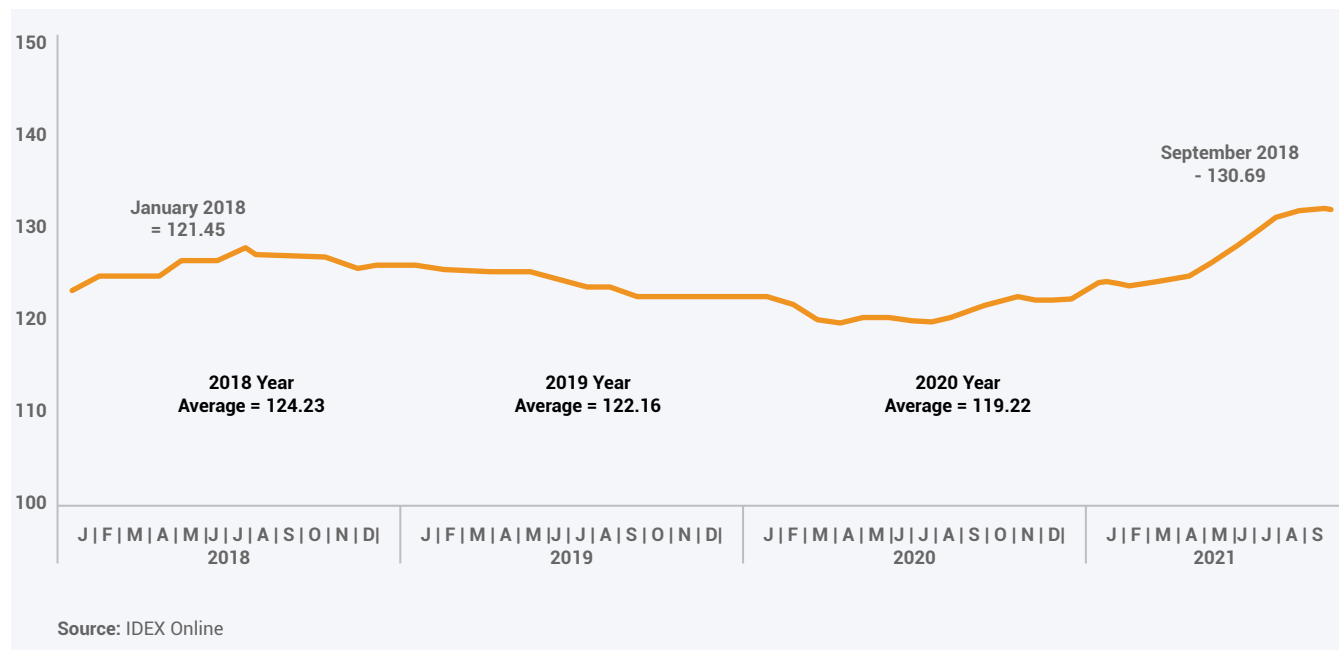
Polished Diamond Price Trends Percent Change Month-to-Month

Figures and graphs used in this section are from the IDEX September Report.



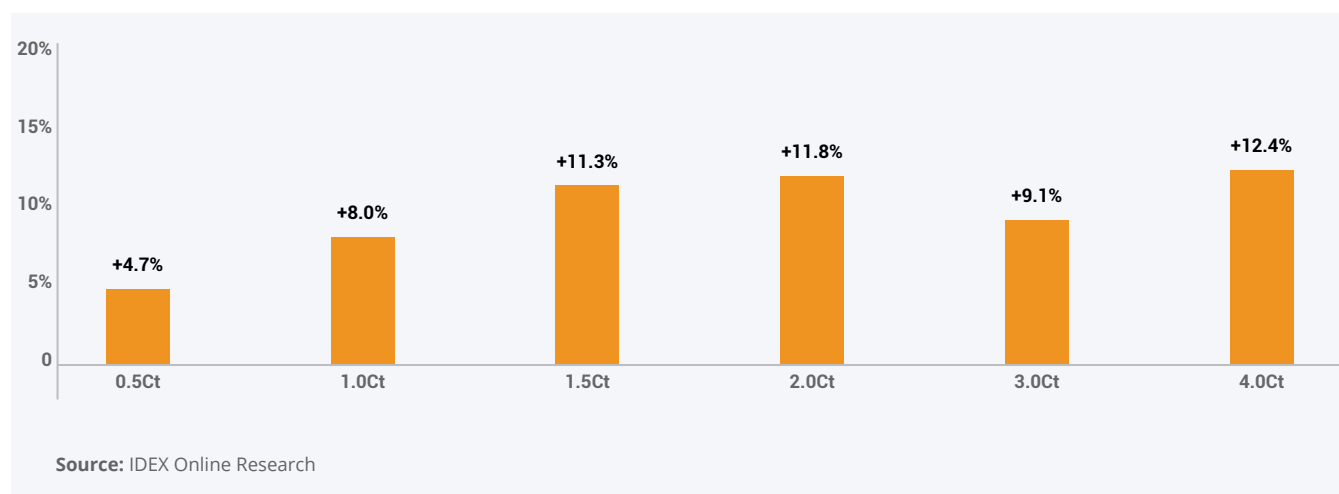
Year-on-year prices rose by 9.4% in September, slightly lower than the 10.3% in August. The percentage price increases had been rising steadily since January but dipped for the first time in September.

IDEX Online Polished Diamond Price Index January 2018 to September 2021



The Index remains at a six-year high in spite of two months of near-straight line prices. It has averaged 126.07 during the year to date, compared with 119.22 for the whole of last year, and 122.16 during pre-Covid 2019. The Index has been climbing, albeit with some volatility, since hitting a low point in April 2020, as the global pandemic struck. Before that it had been in overall decline since mid-2018. It bottomed at 117.96 in March 2020 when coronavirus first hit.

Polished Diamond Prices By Size - September 2021 vs September 2020



Year-on-year diamond prices were markedly up again in September, from a low Covid-hit base in 2020. Half-carats were up 4.7%, compared with 12.2% in August. Four-carats were up 12.4% compared with 6.7% in August. Price rises for all other sizes shown were largely in line with August.

DIAMOND JEWELRY RETAIL TRENDS

1 Stackable styles

Anything that can stack up on top of each other is increasingly popular. Bangles and rings that can be stacked. Thinner and lighter weight bangles, both with diamonds or with gemstones. Smaller, thinner bands either with diamonds, or diamonds and gemstones.



2 Shift to more basic diamond styles

Simple and basic is the direction consumers and our industry is heading. Things like solitaire pendants both prong or bezel set, stud earrings, tennis bracelets, and hoop earrings. Other styles like the smile necklace, bar necklace or diamonds by the yard are also in demand. Another current industry trend is the paperclip style necklace. Drop earrings or earrings that hang off the ear are popular right now too.

3 Layered necklaces

Similar to the stackable trend with bangles and rings, consumers want to wear multiple necklaces at once. Multiple or adjustable length necklaces with simple styles, pairing either a Diamonds by the Yard, Bar Necklace, Smile Necklace, or Paperclip Necklace with shorter pendants like cluster pendants, bezel or solitaire pendants, heart shape pendants, or circle pendants.



4 More affordable price points

Demand has slowed for the larger “statement” pieces. Now consumers want to be able to showcase multiple pieces of jewelry at once. This affirms the shift to more basic, stackable, and layerable styles. To achieve this, most consumers look to the more affordable price points when buying jewelry, and look to spend predominantly in the \$500-\$2000 range.

5 A shift away from yellow diamonds

Demand for jewelry with yellow diamonds has steadily been decreasing. The once popular yellow diamond jewelry is now being replaced with basic jewelry styles with white diamonds and/or gemstones.

Q3 ESSENTIAL DIAMOND JEWELRY BEST SELLERS

1 Bezel Stud Earrings



Bezel style jewelry is the “breakout” trend over the past year. We introduced the style in 2020 to our essential jewelry line, now it accounts for 20.2% of total essential jewelry units sold.

4 Diamond Studs



An all-time jewelry classic, we have seen an 8% increase in stud sales in Q3 of 2021 compared to 2020 and 6.2% of units sold.

2 Tennis Bracelets



We saw a surge in tennis bracelet sales in Q4 2020, and that trend has continued into 2021. We offer 30 different total weights in both white and yellow gold.

5 Bezel Pendant



Following suit with bezel studs, bezel pendants have flown off the shelves. Ranging from just \$495 - \$3495, bezel pendants made up 13.7% of essential jewelry units sold. Yellow gold in bezel styles has grown in popularity compared to previous years.

3 Hoop Earrings



As we’ve seen with the shift to In & Out style hoops, the always popular hoop earrings have seen strong sales. We now offer 11 different variations of hoop earrings, this year we’ve seen a 40% increase in sales from Q1 to Q3.

6 Graduated Necklaces



We have seen an increase in graduated necklace sales by expanding to smaller carat weights at more affordable price points. Sales have increased over 50% from Q3 2020 to Q3 this year.

SUSTAINABILITY

An Open Goal For Retailers

Diamond recycling isn't new, in fact it's been an important part of supplying the jewelry industry for many years. During this time we have seen companies starting to promote conflict free diamonds, recycled metals and lab grown diamonds, and in some cases defining their entire brands by using these products. What we haven't seen much of yet is retailers marketing recycled diamonds directly to consumers and using that as a way to capture new consumers and market share. To us, it is the industry thinking inside the box and not understanding the new wave of Millennial and GenZ consumers clearly enough. These consumer groups are completely comfortable with resale and recycling and are actively looking for brands and products that display sustainable credentials. It's an open goal for retailers and manufacturers to work together and differentiate themselves from the rest of the market and to benefit from consumer sentiment.

Here are six fantastic reasons to start using and promoting recycled diamonds today...



Environmentally Friendly

Recycling saves energy! Miners and lab grown companies use substantial energy producing and extracting diamond. Recycling reduces the use of toxic chemicals that are released into the wild. Recycling produces considerably less carbon than other sources of diamond.



Sales advantage

Recycled diamonds have a sales advantage over other sources of diamonds. There is a clear message that can be given regarding the recycling of diamonds that will resonate with a large portion of the community and differentiate you from other sellers.



Cut

Excellent and very good cut diamonds are readily available. Many recycled diamond suppliers are re-cutting large portions of their acquisitions to ensure that they meet modern day standards for diamond cut.



Good for the United States

Recycling US diamonds and jewelry creates jobs in the US as opposed to overseas jobs where most of the mined diamonds and lab grown diamonds come from.



Value

Recycled diamonds are competitively priced. Recycled diamond prices are comparable or less than mined diamonds. In addition, unlike lab grown diamonds, recycled diamonds will hold their value and not reduce in value with ramped supply.



Origin

You can feel good about the origin of the diamond. Know that the purchase of a recycled diamond has not been used to fund conflict, which can devastate regions across the world.

LOOKING AHEAD

The state of the industry

The industry is currently experiencing strong demand across the board. We feel like this is the strongest diamond market that we've seen since 1999 or at least 2005. All sectors from retail to wholesale, manufacturing to mining are firing on all cylinders as are the different product categories from high end to low end, synthetic to natural. It is important that the industry enjoys this moment and builds up its collective balance sheet as this won't last forever.

We don't want to be too negative because it is very hard to predict the timing of any collapse, and more money has probably been missed by being over cautious in anticipation of a crash than during the crash itself. So, as an industry, we must continue to push, invest and make money now.

However, it is important to be cognizant of the fact that this can't last forever and be wise in our investments and not over-extend in advance of a slow down. It never hurts to think about what a future slow down could look like and what it will mean for the jewelry industry.

The future of diamond prices

From the point of view of diamond supply, the delicate balance of supply and demand was disrupted by the pandemic. The initial government induced shut-down on consumer demand caused diamond prices to collapse and production to halt or dramatically slow down. This, combined with the difficulties of operating in the pandemic and the intermittent shutdowns in production centers, reduced supply which then could not keep up with the resurgence in demand that happened once the economy reopened.

However, diamond production is ramping up in all areas. Miners, lab growers and production centers are scrambling to meet the elevated demand. Whether the current demand is reflective of future demand or more of a satisfaction of pent-up demand combined with macro factors will play a large part in determining future diamond prices.

We would imagine that it is quite likely that demand will drop off as government stimulus fades and interest rates rise and then at that time the industry will be in a position of oversupply and sales will become harder, with financial obligations to be met and diamond prices will swing back the other way towards their long-term natural equilibrium.

This is not the only possibility though. It is conceivable that sustained inflation could cause a systemic shift in diamond pricing to a new level, a new normal, with higher diamond prices throughout. Or it is possible that the seemingly inevitable expansion of lab grown diamonds will take market share from natural diamond products putting some downward pressure on natural diamond prices.

The future is unknown, but for now we believe that the likely scenario is that coming into the 2nd and 3rd quarters of next year, the pendulum will swing back the other way and an oversupply of natural diamonds will start to show itself as supply catches up with demand and demand slows down as stimulus fades and interest rates slowly rise.

Whatever happens, the industry will still thrive. Demand is strong and seemingly bounces back resiliently from the greatest of set-backs. The start of the pandemic was an intimidating time for many, but with sensible business growth there is no reason to fear the future.

