



CRG EXECUTIVE Q&A

TOM HALE

CEO, Oura

premier
healthcare
investment partner



Winter 2024

INTRODUCTION

The CRG team sat down with Tom Hale, CEO of Oura, to discuss preventative care, the importance of sleep and the growing trend of individuals leveraging personal data to take charge of their own health and wellness.



"WE MIGHT REALLY ALMOST BECOME LIKE THE DOCTOR IN YOUR POCKET THAT KNOWS SO MUCH ABOUT YOU... AND WHAT YOUR OBJECTIVES ARE FROM A HEALTH PERSPECTIVE"

TOM HALE, PICTURED ABOVE

Oura, headquartered in Oulu, Finland, makes the Oura ring, which is a cutting-edge health biometric tracker best known for sleep applications. The Company is focused on empowering individuals to maximize their health potential using its advanced wearable and insightful health application. Oura is an investment out of CRG's Fund IV, which was completed in February 2022. Since CRG's investment, Oura has significantly grown its revenue and subscriber base, launched an updated version of its ring (Gen 3 Horizon) and announced several transformative partnerships. The Company is headquartered in Finland, with US offices in San Francisco, CA.

BEN: Thanks for taking the time to speak with me today, Tom. For starters, could you share a bit about your professional background prior to Oura and what attracted you to joining as the CEO of Oura?

TOM: Yeah. I started my career working in software, first at a company called Macromedia, later at Adobe, then at a marketplace company called HomeAway, which you probably know as VRBO, and then SurveyMonkey. All primarily around software. But I've

always been a person who was interested in wearables from the very first wearable I ever had, which was called the Nike Fuel Band, some of you may remember that, or the Nike Plus, which I wore in my shoe and had Lance Armstrong on my iPod Nano telling me that I'd ran the best mile time that I've ever run. I've always been interested in wearables.

And so come to fall of 2021, I was actually for once in my life losing sleep. I'm generally a championship sleeper, but I had a number of things going on in my life that made it difficult to sleep. And I bumped into Oura. And I started following some of the advice that Oura gave; very basic stuff like sleep in a colder room or don't stare at screens before you go to bed, don't watch Netflix until 2:00 AM, don't drink alcohol, don't drink coffee, try to get to bed at the same time every night.

And the transformation that it wrought on my life was amazing. I liken it to walking out of a black and white movie into technicolor world. I realized that for most of my adult life, I'd been sleep deprived, and by suddenly improving not just the quality but the quantity of sleep, I was incredibly transformed. And I was so impressed by this product, I said, "I have to be involved."

And the company was doing a CEO search at the time. And I did something that was entirely uncharacteristic, which is I basically leaned into the search and said, "You guys need to consider me." And they said, "No, we're looking for somebody with a consumer products background." I said, "Well, I've worked in software to consumer products my entire life. You need to consider me." They're like, "Well, we really want somebody from Nike or something like that." And I said, "Well, I wear Nike shoes. You guys should consider me." And I just kept on pressing them, and I made my case in an impassioned letter and the board decided to hear me out and then ultimately gave me the job. And that's how I got here.

CRG: Well, that's awesome. And on the CRG side, we're certainly happy that you ended up joining. On the importance of sleep, I think that's something that we're all seeing. And I think the world is catching up to where Oura has been for a while. And you highlighted how improving sleep in your life made some dramatic changes in your overall health and wellbeing. But can you just emphasize how important sleep is for general health and wellbeing?

TOM: Well, sleep is like a universal solvent. It's good for everything in your health. You can look at it in the short term where sleep will make a huge impact on your cognition, on your mood, on your energy levels, on your ability to collaborate, the resilience that you have to stress. All these things are well documented, that a good night's sleep prepares your body and brain to face the day with the best of strength and intention.

The reality is that sleep has also implicated in a number of really long-term and medium-term health concerns. For example, diet is actually in many ways regulated by sleep. Turns out if you don't sleep well, your brain produces less of a hormone, which is the hormone that tells you when you've had enough to eat. If you think about actually not getting enough sleep and the midnight snack phenomenon, it's actually a hormone that your brain is secreting to go out and ask you to eat. It's an evolutionary adaptation to when your body's resource starved to try and find and gather food to you, in particular sugary foods that will give you energy. It's an adaptive thing. The two hormones we're talking about are leptin and ghrelin. And leptin is a hormone that regulates your appetite and ghrelin is the hormone that regulates your sense of being full. And so both of these are actually tied to sleep. Your appetite and your satiety are tied to sleep.

"Another one that's really interesting is if you think about getting good sleep, it plays a tremendous role in immunity. If you get good sleep, you're going to be more resistant to getting sick."

If you think about all of this put together, sleep is this kind of drug that if you were to find it on the open market, it would do all these wonderful things for you. And you would obviously take this drug because it would help you perform and be healthy, live longer, live healthier. But it's not a drug, it's free. You can just do it by sleeping better and sleeping more effectively, getting higher quality sleep as well as just more sleep as well.

CRG: Another major trend that us at CRG have been observing that Oura fits into well is this convergence between healthcare and consumer and technology. What we've seen a lot of is that increasingly consumers seem to want to take charge of their own health and wellness, but oftentimes they have trouble interfacing

SLEEP QUALITY CRISIS

**MORE THAN
\$400 BILLION**

Annual cost to US GDP
from lack of sleep

4.8 in 10

American workers say
they are regularly tired
during the day

10-15%

American people
experience chronic
insomnia

Another one that's really interesting is if you think about getting good sleep, it plays a tremendous role in immunity. If you get good sleep, you're going to be more resistant to getting sick. I think we've all probably experienced when you don't get enough sleep and you fall ill, you get the sniffles or the cold from not getting enough sleep. And then if you look even longer term, you think about things like heart health or type two diabetes or cognitive issues like Alzheimer's and Parkinson's, all these are linked to shortages of sleep. Not only does sleep make you more effective, but also it can help you have a healthier life.

with legacy healthcare companies that don't tend to be very user-friendly. Is this a trend that you're seeing as well? If so, how do you think Oura fits into that dynamic?

TOM: I think there's two dimensions to what you're talking about. Dimension number one is this notion that the healthcare system is really oriented around people being sick. You seek healthcare when you've got an illness or an injury, or maybe you've got a chronic condition that you're trying to manage. It's all about interventions on the back of being sick, and so in many ways, the actual interventions come after the fact. They give you the bypass after you've had the heart attack, they give you the surgery after you've had the injury.

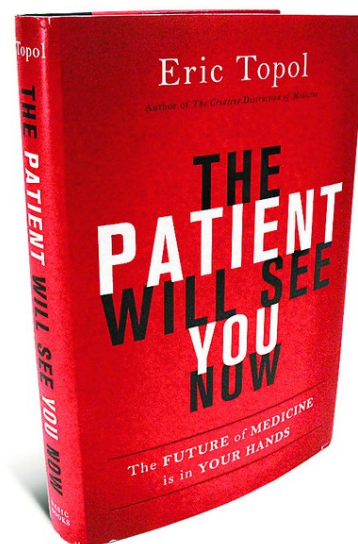
And the incentives are also aligned behind this, which is that in a fee for service model, obviously you're looking for the diagnosis and the intervention. And those motivations really work against what I think Oura really stands for, which is preventative care, which is the best illness and the best treatment is one that you don't have to have at all because you completely avoid it. And so, in many ways, one of the things that we believe in is that what we should be working towards is something that looks more like preventative care, more like wellness than something that looks like interventionist care. Now, that's not to say, excuse me, we don't have ambitions in the healthcare arena, but I think we start from the perspective that if we can help you live a healthier life, if we can help you form healthy habits, if we can help inform you about the dynamics of your ever-changing physiology and the behaviors and how they affect your physiology and improve them is something that we really want to get behind.

The second point you've made is a really interesting one, which is that consumers today have access to more information than they've ever had about healthcare. WebMD, Dr. Google, the many, many sites and places where you can find information on the web has really transformed consumer knowledge about how to think about their care. They're better informed, they know what they might have or what the potential interventions might do for them, they read scientific studies that they can access easily. Consumers are dramatically more informed. However, there's always been a gap in understanding what's actually going on with their bodies because they don't have access to the medical equipment that you normally expect to find at a doctor's office. This is where Oura comes in. In many ways, we're there to give your body a voice, to give a dimension and to give data and measurement to your health.

And one of the ways that we do that is by monitoring you overnight because overnight you are in a state of relative quiet. You're generally in the same place, and so the comparisons night over night are actually pretty meaningful, meaning that if you're watching a trend of one metric or another and it suddenly takes a dip overnight, you can really see that trend very clearly. This idea of empowering patients or empowering people and consumers with their own health data really is changing, I think, the face of how people are approaching their healthcare. They're going from being passive recipients of interventions to being active participants in their own health journey.

I think COVID did the world a huge service here by giving everybody a massive health crisis. Whether they were young or old, healthy or sick, everybody went through a massive health crisis and started to think what am I going to do to maybe manage my own destiny? And because of that health crisis, people became very conscious of what it means to get sick, what it means to think about their health in a proactive way. People had tons of time and energy to research and think about. They discovered new sources of information. It is a very interesting transformation that COVID's run.

THE PATIENT WILL SEE YOU NOW



OURA RING GENERATION 3 HORIZON



There's a lot of interesting books on this. One of my favorites is this one that says that The Patient Will See You Now, which is really about the inversion of the model where the doctor is this well learned, well-trained specialist who has all this very specialized information, and putting that onto the patient who knows himself or knows herself better than the doctor does, and comes to the interaction with a care provider with a wealth of information, knowing what their trends are, knowing what their respiration normally is or their temperature is. It's a very interesting transformation, which I think we're right in the middle of.

CRG: How important do you think the social aspect is in individuals taking charge of their health and wellness? Because in the example you used where people are increasingly more informed, they'll search on WebMD, but then I think often as a next step, they'll talk with their peers, their friends. One thing I've noticed with the Oura Ring, it's a conversation starter; you start talking to your friends about it. You have really leaned into this social aspect with the Circles feature that you launched. I'm curious how you think about the social aspect of Oura and people thinking about their health and wellness in general.

TOM: Well, I think we live in the age of social media where influencers are sources of information. And I think some of them can be spurious influencers and some of them can be sterling grade scientists and folks who are really thinking about this from a medical or health perspective. But we live in the age of Huberman. We live in the age of Dr. David Sinclair. There are people, Dr. Peter Attia, who are publishing information to their social media feeds, and because they have both the trust and the followership, it becomes a source of information that people will look to.

I think what's most interesting about this kind of social distribution information, or as you say, "Hey, what's your HRV? What's going on with you? How did you sleep last night?" This comparing notes, there's an element of gamification which comes into play where you're competing to determine who can be the healthiest. And that's an incentive to maybe adhere to a diet or to exercise or do whatever it is that you're doing for your health journey. I think that's a well-trod path.

I think what's novel about how social media is playing when it comes to health is that people are increasingly realizing that not everyone is the same and that medicine, which for years has been practiced on the averages... You think about every clinical trial, it's like, well, what percentage of people are going to fall ill from taking this drug? Or what's the probability of this outcome? But the reality is that everyone's slightly different. A good example of this is there are people who don't have the standard, average body temperature of 98.6. In fact, one of them I know. He has a body temperature of something that looks more like 97.2. And so when he goes to the doctor once a year and gets his checkup and the doctor takes his temperature, says, "Oh,

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you've got a 98.6, you're completely normal." No, he's got a fever because his physiology is different.

And by the way, that physiology differs between men and women. It differs based on your age or on your health status or even your ethnicity. All these things really come into play. And I think giving access to your data lets you understand what's really happening with you, and so you can understand your trend and your baseline, and when you deviate from that baseline, what might've caused that? Positive or negative. What kind of behaviors are influencing the outcomes of your metrics? It invites people to experiment and look at the results of their experiment using data and then use that data from their experiment to reinforce behaviors.

And of course, interacting with other people is a really important way that people reinforce behaviors. If you see someone else who's really doing great, they look great, they're super healthy, and you're like, "What's your secret?" "Well, I take magnesium to sleep and I work out twice a day and I go to the Equinox gym." That's a reinforcement for you because you see in someone else how they're doing, and that reinforces and inspires your behavior. I think socials are really key. With Oura, we see this a lot because people share their scores; they publish them out. They ask for feedback. They say, "Hey, my HRV is low. What's going on? Here's how I found out I had COVID. My temperature spiked, my respiration spiked, my HRV plummeted. I figured this out three days before I had any symptoms. I learned I was pregnant from Oura because my temperature would indicate that I was getting pregnant." These kinds of moments where people are learning from each other, what the meaning of these biometrics are, is really, really compelling. We find small groups, it's husbands and wives, they buy the ring for each other as an act of care. It's people with aging parents, they're buying it for their parents. They want to care for their parents. People are buying it for their kids. One of the things that we do is we track your cycle, and so a lot of parents buy it for their daughters so that they can understand when their cycle is going to happen. And that changes their behavior because now they know to be prepared because they might feel terrible for the next couple of days. It's a really interesting dynamic of care between individuals. And what we see is these small groups, these really call them more care groups, it's not the, "Hey, I went to the gym today and check out my ripped abs." It's more like, "Hey, here's what's happening with my health, and I'd like you to know because you're important to me."

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CRG: You highlighted one of Oura's, I think, key partnerships that you have with Natural Cycles for cycle tracking, and you've been able to really effectively leverage partnerships that come in a variety of different flavors, from cycle tracking with Natural Cycles to the retail partnerships with Gucci and Best Buy, to the partnership around stress that you have with Headspace. How do you think about the importance of partnerships for Oura's strategy moving forward? And what makes a good partner for Oura?

TOM: It's a great question. We've really pushed hard on building an ecosystem around Oura. It's always been part of the strategy, but I think it's really taken root over the course of the last 12 to 18 months. Natural Cycles is a really interesting one. There's a dynamic that is happening today where young women are deciding that they do not want hormonal birth control and they do not want a surgical intervention or barrier contraception, and so they're

reverting to something that I think is time tested, which is the rhythm method. But they're doing it with temperature and with the benefit of a digital app on their mobile phone which looks at their temperature course over their cycle and understands that pattern to make a prediction about when your fertile window might arrive or when is a safe time to have intercourse and you won't get pregnant?

What's really interesting about this is that that trend is really pronounced, but the solution was a little bit manual. You had to take your temperature in the morning using a thermometer, a digital thermometer or a regular thermometer, and then enter the data into your app, and then it would tell you whether or not it was a green day or a red day. A green day was a safe day to have intercourse, red day not. This labor made the solution harder to adopt, but still people were committed to the path and they were doing it.

Enter the Oura Ring. We automatically feed your temperature data taken while you're asleep, so there's no risk of you waking up and your temperature getting elevated is what happens when you wake up; your temperature rises a little bit. You wouldn't have that risk because your temperature would be sampled while you were asleep and fed directly over to the app, and then you'd wake up and the app would tell you whether or not it was a red day or a green day. This was really compelling. And what's happened is working with Natural Cycles, we've unlocked this use case. It has very little to do with sleep. It's enabled by sleep because you're tracking your temperature overnight, but it's really about this contraception use case.

Now, this was a huge surprise for us to the upside. It turned out that this was a very, very motivated group of people who wanted to try this experiment of Oura Ring plus Natural Cycles, and it took off. It took off like wildfire. For us, looking at it, we saw, "Oh, this is a really interesting thing. Can we find other use cases that are like this where the overnight wear and the data quality and the accuracy of the Oura Ring are a real enabler for someone else's application?" Whether that's a continuous glucose monitor where you're trying to understand the interaction between sleep and exercise on your blood glucose, or maybe it's another women's health app, one where you're trying to track your cycle. And how can we feed that data to another app and not just Natural Cycles? What about meal tracking? People want to understand their appetite or what the impact of their calorie exertion as opposed to their calorie consumption.

Making this data available to all these other apps is really powerful because it enhances those applications utility, but it also gives Oura access to a pool of customers that we wouldn't otherwise have. That's been the dynamic that we've seen, particularly in these digital healthcare applications. We see it with stress and mental health, we see it with sleep and exercise and metabolic health. I think we'll see it with heart health. We'll see it with care plans where people are recovering from surgery or from chemotherapy and they want to track their rest and recovery using HRV as a metric of their recovery. We see this entire ecosystem shaping up around Oura, and it's, I think, a really powerful way for us to go to market because we can't solve every use case ourselves perfectly, but in concert with an app, we can provide a really, really targeted, really, really excellent solution for a particular use case.

CRG: You mentioned for the Natural Cycles partnership that an important piece of the temperature reading is that you're wearing the Oura Ring overnight so that you can get a more accurate measurement of temperature. And I think part of what gives you a unique advantage is the form factor, given that it's a wearable on the finger and it's more comfortable to wear overnight. I think most people, when they think of a health and fitness wearable, it tends to be worn on the wrist. How much of a unique advantage do you think the ring form factor is for Oura?

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PARTNERSHIP ECOSYSTEM



EQUINOX



TOM: I think we're just at the very beginning of consumers understanding the benefit of the ring as a form factor. There's a couple of really basic things that are important to know. First one you already highlighted; comfort. People like something that's really easy that fits in their life. They don't have to think about it. The ring doesn't have a user interface, it's not calling for your attention, it just fits into your day. You don't have to think about it. It has a long battery life, about seven days battery life, so you don't have to think about charging it. It's not another digital mouth for you to feed and manage.

By contrast, some of the wrist wearables, where they are overnight is on your bedside stand being charged because they're really most useful during the day. They're there to alert you or to remind you of something, and maybe to track your workout during the day, but they're definitely consuming power. Just by comparison, the Apple Watch, which has a battery life, depending on how you use it, somewhere between one and two days, has a battery that's some 20 times larger than the battery of the Oura Ring. We're just extremely efficient in the way that we consume battery.

"I have to say I'm really fascinated by the idea that we can start to actually provide you advice and interventions based on who you are and what journey you're on."

Battery life, form factor are really important components to the value proposition. The other is the site on the human body where we're taking measurements from. Generally, we ask people to put the ring on their index finger. That is on the leading edge of the pulse waveform. Your heart pumps, blood shoots down your arm and goes right through an artery about two to three millimeters underneath your skin on the underside of your finger. That skin is also generally not... It's

not dark because your palms are generally lighter than the outside your skin, so the light absorbing properties of your skin give you a nice, clean reading. There's also uniform tissue there. It's generally two to three millimeters of tissue, whereas on the wrist you're dealing with a very interesting matrix of different kinds of tissue. You've got bone and sinew and hair, darkened skin. The fit may be variable depending on how tight or loose your wrist wearable is.

And so the accuracy is not just a function of the fit and the location, it's also the fact that you're pressing up against the actual source that the device is going to read, which is the artery that flows right underneath your finger, so on average, you get something like a signal strength that's something like 50 to 100 times stronger on the finger than you do on the wrist. Which makes sense because whenever you go to the doctor or at the hospital, when they put a heart rate sensor and blood oxygenation sensor on your finger, they put it right on the tip of your finger because they're doing the exact... It's the exact same technology. They're shining light into your finger to actually track the biometrics of your heart rate, your heart rate variability, your SpO2, which is blood oxygenation, your respiration. They're looking at that right there in the exact same place that we measure. It's a structural advantage that we have in terms of accuracy, and when you couple that with comfort and the battery life, it just makes for a great mix of high-quality data without a whole lot of effort, passive tracking without a whole lot of investment of time and energy to enable that tracking.

And we sync the data to the phone so that the data persists and you can examine it at your leisure, but we also make a point out of giving you insights. It's not just here's the numbers, it's like, no, look, today you're not doing so great. You might want to take it easy, or, hey, today's the day for you to really go for it based on the high-quality sleep you have in the biometrics. You should really push yourself today.

And it's interesting, that combination of supportive relative and maybe accountability buddy that Oura provides, people develop a very strong relationship with it and when it gets it right, for example, when Oura says, "You're probably going to get sick in the next couple of days," and then you do get sick, you're like, "Wow, I can really trust this wearable to give me advice." And that's a very powerful situation, a very powerful place for Oura to be in.

CRG: Yeah, I've personally noticed that quite a few times, that it's quite accurate when it says I'm about to get sick. Generally, it's right. Well, this has been great. Super helpful, Tom. My last question is what are you most excited about now? I think there's so much potential, so many different directions Oura could go in. Whether it's a trend in healthcare or technology, what are you currently most excited about?

TOM: I have to say I'm really fascinated by the idea that we can start to actually provide you advice and interventions based on who you are and what journey you're on. If you're training for a marathon, you shouldn't get the same advice as somebody who's trying to manage a chronic illness. And today, I think we do a nice job of providing people insights and advice across a wide range of both need states and health statuses. We do that fairly well.

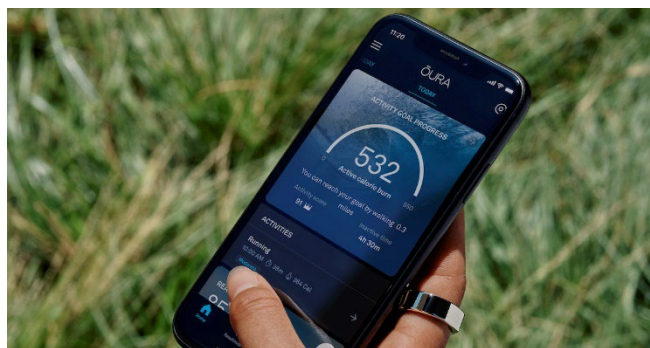
But I think it's really interesting to imagine that we might really almost become like the doctor in your pocket that knows so much about you and your context about what's going on in your life and what your objectives are from a health perspective or what your issues are from a health perspective, to really be able to personalize and give you advice that's really meaningful and really targeted to you. And not just targeted to you, but targeted to your health status, which is constantly changing based on how your biometrics and physiology are reacting to any number of stimuli, whether it's behavioral stimuli or a shortage of sleep or travel or whatever it is that's part of your situation, this idea that it could really give you advice that was tailored to you I think is just an incredibly powerful one. Imagine if you had a doctor in your pocket; that would be a really powerful idea.

And as we look at the capabilities of machine learning and AI and the ability for us to better understand your context and better understand your physiological markers, the idea that something could give you advice that was actually not quite medical advice but definitely tuned to you I think is really compelling. And maybe in the fullness of time it becomes medical advice. I think if you look at what the large language models and the health knowledge that has been codified and has been structured in a way that those LLMs could consume it and the data that's being collected by wearables like the Oura Ring, it's a very interesting combination of factors that could enable, I think, a really compelling change in the way people experience health or health coaching or wellness coaching or fitness coaching. It's just a super interesting time.

CRG: Thanks so much, Tom. It's been an absolute pleasure speaking with you. Really appreciate you taking the time. And appreciate all the great work you're doing at Oura.

TOM: Thanks very much. Appreciate it. And thanks for supporting us. We're big fans of CRG and the whole team there, so thank you.

OURA DELIVERS DAILY VITAL BIOMETRIC INSIGHTS THROUGH THE PHONE



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