Alphabet 1Q17 - No mention of Verily diabetes partnerships with Dexcom, Sanofi, Novartis, or GSK; big commitment to AI - April 27, 2017

This afternoon, Alphabet provided its [1Q17](#) update in a call led by CFO Ms. Ruth Porat and Google CEO Mr. Sundar Pichai. There was no mention of Verily's (formerly Google Life Sciences) diabetes partnerships with Dexcom, Sanofi (Onduo), Novartis, and GSK (Galvani Bioelectronics), nor the recently launched [Project Baseline Study](#) or February's [$800 million investment from Temasek](#). Based on the most recent updates, the Dexcom partnership is on pace for a late 2018 next-gen CGM launch ([Dexcom 4Q16](#)); Onduo has not said much in the way of timing, but plans to develop "a management platform that brings together the right solution at the right time for the right patient" (including insulin dose titration) (per Dr. Josh Riff's keynote [at last month's Digital Diabetes Congress](#)); Novartis/Verily's glucose-sensing contact lens efforts are reportedly ongoing; and [Galvani Bioelectronics](#) is planning to move into the clinic in 2019. As in past quarters, Alphabet only disclosed topline revenue/loss for "Other Bets" apart from the core Google business, so it's unclear how much revenue/profit Verily is generating. Total revenue from Other Bets was $244 million in 1Q17, rising a strong 48% year-over-year, fueled by Nest (smart home devices), Verily, and Fiber (fast internet). Combined, Other Bets reported a striking $855 million operating loss - a clear sign of the striking investment in these moonshot projects. Ms. Porat reiterated that the company continues to evaluate "the size and pace of investment appropriate to each bet given their stage of development and achievement against milestone."

- **Mr. Pichai said the words "machine learning" 16 times and "AI" 8 times, words that we are hearing more and more in conversations with diabetes tech companies.** This is clearly an enormous Alphabet/Google asset and core competency that should translate quite directly to Verily - sorting through data, making predictions, processing language, etc. Some quotable quotes:

  - **"Our continued investments in machine learning are fueling innovation across Google**...helping drive our core mission of providing access to information for everyone."

  - **"I'm really happy with how we are transforming into an AI-first company."**

  - **"Advances in machine learning are helping us make many Google products better.** One example from this quarter is the launch of parking predictions in Google Maps. Beyond that, we continue to set the pace in machine learning and AI research. We introduced a new technique for training deep neural networks on mobile devices called federated learning. This technique enables people to run a shared machine learning model while keeping the underlying data stored locally on mobile phones."

  - **"When I broadly look at VR and AR, I think all of us clearly understand the potential, and technically we are making the breakthroughs that are needed.** And technically, all of it needs to converge from a hardware, software, services standpoint to a stage where it has mass market appeal. I think that's still some ways away. The thing which gives me excitement is all these changes start happening with a set of early adopters and go mainstream, so we are engaging at that level with the early adopters...Underlying technology-wise, all the kinds of sensors, and tracking you need to do, machine learning, AI, things like voice recognition, everything is a computing evolution. Everything we are investing today in machine learning and AI as well as what we are doing in computer platforms transitions well."

-- by Brian Levine, Adam Brown, and Kelly Close