With the earnings season coming to a close, the ROBO Global Robotics & Automation Index has risen nearly 9% in October and November, bringing total returns to 27% year-to-date. 3Q19 results were significantly better than expected and marked a turn in earnings growth after seven consecutive quarters of deceleration. This leaves the index trading on a forward P/E of 25x, a slight premium to its 22.5x long-term average.

Results across the index were impressive, with 67% of index members beating consensus estimates. Revenue growth remained near historical lows at just 1%, led by Security & Surveillance, Healthcare, Consumer, and Logistics Automation, while Actuation and 3D Printing saw continued declines.

Past the earnings trough
Median EBITDA growth for 3Q19 was back in positive territory at +2% YoY. At the EPS level, Q3 saw a 3% YoY decline, which marked the first improvement in 7 quarters. This confirms our view that Q2 marked the bottom after the longest downcycle since the inception of the index in 2013 (see chart to the right).

In aggregate, EPS came in 3% above expectations with 67% of companies exceeding consensus EPS estimates and 52% topping revenue estimates. This puts the ROBO index on track to deliver median EPS growth of -1% YoY in 2019, while consensus estimates point to 15% growth in 2020 and 17% in 2021.
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