ROBO Global says surgical robots will lower health care costs

ROBO Global released a report earlier this week where it highlighted that surgical robots and automation will help in countering rising global health care costs.

ROBO Global created the ROBO Global Robotics & Automation Index, the world's first benchmark index to track companies that focus on robotics, automation and artificial intelligence.

"Surgical robots can now perform complex surgeries with sub-millimeter accuracy, enabling surgeons to achieve far better patient outcomes," according to ROBO's investor guide to health care robotics.

"Artificial intelligence is being used to view and expertly analyze medical images containing millions of cancer cells — within minutes and at a level of accuracy not possible by humans. Automation is creating enormous efficiencies across administrative and clinical research to improve and accelerate workflows."

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According to Orian Research, the health care robotics market is expected to expand to $13.9 billion by 2023, at a compound annual growth rate of 28% over the next six years.

"Artificial intelligence is already driving revolutionary change in the medical field. But this does not mean that doctors will be replaced by medical robots. Far from it," ROBO Global CIO and President William Studebaker earlier told Proactive Investors. "Instead, AI will continue to bolster the capabilities of physicians and the medical devices and machines they use every day to deliver better patient outcomes."

Health care accounts for 10% of the ROBO Index, with a focus on robotics guidance and surgery, laboratory automation, genomics, and AI healthcare applications. The sector returned more than 21% in the first 11 months of 2018.

At least nine health care companies with headquarters in four different countries are components of the ROBO benchmark index.

"Today, Intuitive Surgical (NASDAQ:ISRG) is trading around $500/share but we believe they are still in the early innings of a sustainable growth story," according to the report.

"Intuitive Surgical has a virtual monopoly on surgical robotics with its da Vinci Xi system which uses 3D vision and intuitive motion to improve minimally invasive procedures and help surgeons deliver better outcomes for cardiac, thoracic, urology, gynecologic, colorectal pediatric and general surgeries," the report continued.
In terms of the ROBO Global Robotics & Automation Index, Intuitive Surgical is considered a "pure-play" or bellwether company in the industry. In the ROBO world pure-play stocks — companies such as Intuitive Surgical and iRobot Corp (NASDAQ:IRBT) — have an approximate 2% weighting in the 87-strong ROBO index. The hybrids are individually at about 1%.

M&A on the rise
ROBO Global says that there will be continued investments in robotics and artificial intelligence, as well as a new wave of M&A by traditional health care companies in the medical device and instrument arena as they seek new avenues for growth.

In 2018, spine robotics surgery pioneer Mazor Robotics — which has been the best performing constituent of the ROBO Index in the past three years — agreed to be acquired by Medtronic PLC's (NYSE:MDT) for over $1.6 billion.

Index component Globus Medical Inc (NYSE:GMED) is also making headway in this area, driving significant technological advancements across a complete suite of spinal products.

The ROBO index is used as a performance benchmark for funds and market growth. Since it's the first major index in the robotics, automation and AI space, the ROBO index has several low-cost ETFs tied to it at the hip.

ROBO Global provides its expertise to the ROBO Global Robotics and Automation Index ETF (NYSEARCA:ROBO) which was trading flat at $38.59 on Thursday.

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