

# Shopify Inc (TSX:SHOP) vs Apple Inc (NASDAQ:AAPL): Which Is the Better Tech Stock?

## Description

**Shopify Inc** ([TSX:SHOP](#)) is a titan in the Canadian tech scene, with [58% year-over-year](#) revenue growth and a massive user base. But by the standards of major tech companies, some of which are approaching \$1 trillion market caps, it's a drop in the bucket. Companies like **Apple Inc** ([NASDAQ:AAPL](#)) bring in hundreds of billions in revenue, billions in earnings, and have hundreds of millions of users.

By those standards, Shopify is still a small player. But as an investment, it's easily been one of the best in its class. Last year, when the NASDAQ tanked, Shopify shares rose more than 20%. Over the past three years, Shopify has gained 559% vs. the NASDAQ's 43%. Simply put, Shopify has rewarded investors more than the average tech stock since its IPO.

The big question is whether Shopify can keep it up. In the three years since its IPO, Shopify has failed to turn a GAAP profit (though it did have a positive non-GAAP EPS figure in its most recent quarter). Phenomenal growth aside, this company's future is still very much up in the air. To understand where it's headed, it helps to compare it to another major tech stock with a longer history. Since it just recently released a major earnings report, Apple is a great place to start.

We can start by comparing the two companies according to their recent returns.

## 12-month returns

Shopify has outperformed Apple over the past 12 months. Whereas the former gained 46% in that period, the latter grew by just 2.14%. The same holds true over a three-year period, where Shopify's total return increases to a massive 559%. Going by the historical performance standard, Shopify clearly bests Apple. But past performance doesn't necessarily indicate future performance. Shopify is a very young company, and an abrupt decline in revenue growth could easily stop it in its tracks. To really gauge whether it's a better buy than Apple, we'll need to look at profitability.

## Profitability

In the profitability arena, Apple steals the gold from Shopify. With \$19 billion in net income, a 22% profit margin and a 45% return on equity, it is highly profitable by almost every metric. Shopify, by contrast, has [struggled with profits](#), returning a \$23 million net loss and \$-0.22 diluted EPS in its most recent quarter. That said, it's normal for tech stocks to lose money just three years out from their IPO. To truly understand whether Shopify is a better buy than Apple, we'll have to look at growth.

## Growth

Shopify's most recent quarter beat the pants off Apple's in terms of growth. Whereas Shopify grew

revenue at 58% in Q3, Apple's revenue declined by 5% in Q1. In terms of earnings, the story is a little more complicated. As previously stated, Apple has positive earnings, whereas Shopify's are negative. However, Apple's net income fell by 0.49% in its most recent quarter. Shopify's net loss got larger, at \$0.22 compared to \$0.09 in the same quarter a year before, which is technically a decline in income as well. However, Shopify is a much faster-growing company than Apple, and it did not reverse course from growth to decline, so I'm inclined to say that Shopify's slightly widening loss is not a big deal as Apple's fall in net income.

On the whole, I'd give Shopify the edge in terms of both growth and potential returns.

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

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