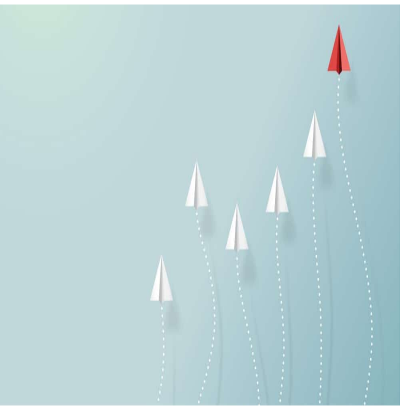

Elon Musk SLAMS Warren Buffett as Tech Stocks Soar!

### Description

2020 has been an unprecedented year for many, many people. Between COVID-19 and the recession, there have been a lot of impactful events, and most people have been affected in some way — the super rich included. This year, many of the world's richest people swapped places, as the market crash dealt its varying cards. Tech billionaires saw their fortunes rise, as the NASDAQ soared to all-time highs, while "traditional" financiers got hit hard by the recession.



In the midst of all this, Elon Musk and Warren Buffett had a bit of a public spat. After overtaking Buffett on the list of the world's richest people, Musk quipped in the *New York Times* that Buffett's "kindly grandfather" image was overstated. Earlier in the year, he had called Buffett's concept of economic moats "lame" and referred to his job as "boring" on a podcast. Buffett, for his part, has said that he wouldn't invest in Musk's **Tesla** — one of the hottest companies of 2020.

On the surface, this looks like little more than a public spat between two billionaires. But on closer inspection, it contains a lesson that all investors should pay heed to. As you're about to see, the Musk/Buffett dispute is at its core a question about what makes a truly great company. The answer to that question has relevance to where you should invest your money.

## The Musk/Buffett feud reveals an interesting issue

While Buffett and Musk's comments about each other have varied in tone and content, there's really one core issue between them:

*What really makes a great company?*

For Musk, a great company is one that innovates and develops products that push humanity forward. Similar to other Silicon Valley CEOs, he believes that the number one priority of business is to push into new frontiers — whether they be electric vehicles, payment processors, or outer space. If you do that, the market will reward you.

For Buffett, however, a great business is one that delivers strong cash flows and returns on equity. You can innovate all you want, but if the profit doesn't follow, you've got a failed enterprise.

## Two Canadian stocks that perfectly illustrate the issue

We can illustrate the difference in philosophy between Buffett and Musk by looking at two well-known Canadian companies: **Shopify** (TSX:SHOP)(NYSE:SHOP) and **TD Bank** (TSX:TD)(NYSE:TD).

Shopify is a classic high-growth tech stock similar to Musk's enterprises. It invests massively in R&D. It has explosive revenue growth but little in the way of profit. Its value in the market is over a thousand times its projected earnings for the next year. Put simply, it's an innovative tech company that people are willing to pay a premium for. And they may be right.

For years, investors piled money into **Amazon**, despite its lack of profits, because of the perception that it would one day corner the retail market. It took a long time to pay off, but now, the company is doing over $10 billion in annual profit.

However, we've got TD Bank. Similar to the U.S. banks Buffett invests in, it's stable, predictable and, well, a little boring. It won't make you rich overnight. But it delivers steady returns and dividend income investors can count on.

Which is the better company between these two? It's hard to say. One thing is for sure, though: both could make valuable additions to a well-diversified portfolio.



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