



Tesla vs. Shopify: Why Shopify Stock Will Outperform Long Term

Description

Over the past five years, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has [outperformed](#) nearly every stock. In fact, Shopify's been better than a 50-bagger over this time frame! Not even the outlandish growth **Tesla** ([NASDAQ:TSLA](#)) has provided over this time frame has been able to surpass Shopify.

Shopify is a long-term growth stock with superior long-term growth potential. Accordingly, I think Shopify will continue to outperform Tesla long-term. Here's why.

Shopify's long-term competitive advantage

Both Shopify and Tesla are in industries where maintaining a durable competitive advantage is difficult to do long-term. Competition always has a way of creeping up on companies with strong brands and product superiority.

The company's e-commerce platform stands as the industry leader. With e-commerce growth expected to continue as retailers and SMEs transition toward e-commerce away from traditional bricks-and-mortar retail, Shopify stands to benefit. I think Shopify's product superiority provides investors with a small, but meaningful moat in this space for the foreseeable future.

Competition results in deteriorating returns over time

Indeed, One thing that is true for every company in every industry is: competition is a killer. As companies become more successful in their respective sectors, new entrants pop up and existing competitors beef up their capital spending to catch the incumbent leader. Increased competition erodes margins over time, and can do the same with companies' market caps.

Right now, both Tesla and Shopify are in enviable positions in their respective industries. Both have a significant market share lead over their competition, with powerful brands that are well-liked by their customers.

That said, I think the competitive set around Tesla are much larger with much deeper pockets. The auto makers of the past are heavily investing in the future. As more sales shift to the EV market, Tesla's competitors are playing catch-up to try to regain the market share they're losing.

In the case of Shopify, there really isn't another fully-integrated e-commerce platform that I believe can compete with this company currently. That's not to say companies haven't tried, and won't continue to try, to eat into Shopify's dominant market position. I just think it's going to be much harder than in the case of Tesla.

Bottom line

Tesla and Shopify have significantly outperformed the broader market, and will likely continue to do so for some time. Both companies have valuations that put them in the nosebleeds of extremely high-priced stocks.

That said, for growth investors considering which company to invest in for the next five or ten years, I think the the answer is simple. Shopify is a **TSX** gem, but is becoming a global behemoth.

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1. Investing
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2. NYSE:SHOP (Shopify Inc.)
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