



## Apple vs. Microsoft: Which Stock Should Canadian Investors Buy Today?

### Description

Despite their multi-trillion-dollar valuations, tech heavyweights **Apple** and **Microsoft** continue to outpace the broader indices on a consistent basis. In the last five years, the S&P 500 has returned 144% to shareholders, while shares of Apple and Microsoft are up by 485% and 510%, respectively. In the last 10 years, AAPL and MSFT gained 1,460% and 1,130%, respectively, compared to the S&P 500's returns of 347%.

Both the tech companies remain well poised to deliver double-digit gains annually going forward. But let's see which stock between AAPL and MSFT should be part of your portfolio right now.

### The bull case for Microsoft

In the fiscal first quarter of 2022 that ended in September, Microsoft reported revenue of US\$45.3 billion, which was an increase of 22% year over year. Its GAAP profits rose by 49% to US\$20.5 billion. The company's cost of sales, slower growth in operating expenses, and a tax benefit of US\$3.3 billion contributed to robust growth in earnings. Microsoft's stellar results allowed it to increase free cash flow by 30% to US\$18.7 billion in Q1.

MSFT's market-thumping returns in the last decade have meant the stock is valued at a forward price-to-earnings multiple of 37, which is significantly higher than the ratio of 15 in 2014, just before Satya Nadella was appointed as its CEO.

But the company is part of several rapidly expanding markets. For example, a report from Grand View Research expects the [cloud computing market](#) to grow at an annual rate of 19% through 2028. In Q1, Microsoft's cloud business saw sales increase by 31% year over year to US\$17 billion. It is also the second-largest company in this space with a share of 19%.

With a cash balance of US\$130.6 billion and US\$53.3 billion in debt, Microsoft has enough flexibility to invest in new product development, acquire high-growth companies, repay debt, or even increase dividend payments.

## The bull case for Apple

While the iPhone generates a majority of the company's sales, Apple has successfully expanded its suite of products and solutions over the years. Its Services segment is a high-margin business that offers subscription solutions such as Apple Music, Apple Arcade, Apple TV+, and Apple Care, among others.

Apple is a major player in the smartphone, tablet, and desktop verticals and has rapidly gained traction in the wearable segment as well with the introduction of devices such as the Air Pod and Apple Watch.

In its fourth quarter of fiscal 2021 that ended in September, Apple's sales rose by 29% year over year to US\$83.4 billion, which was below analyst forecast of US\$85 billion. The company's adjusted earnings also rose by a stellar 70% to US\$1.24 per share.

Apple explained that its top line was impacted by US\$6 billion in Q4 due to supply-chain disruptions, and these headwinds are likely to continue in the near term.

## The Foolish takeaway

Microsoft and Apple are among the most popular brands in the world. The two companies enjoy a wide economic moat and have successfully created an ecosystem that aims to enhance customer engagement. It's impossible to choose between the two [blue-chip titans](#) of the technology space; investors would be advised to add both stocks to their portfolios right now.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:AAPL (Apple Inc.)
2. NASDAQ:MSFT (Microsoft Corporation)

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