



Better Buy: AMZN Stock vs. AAPL Stock

Description

Amazon ([NASDAQ:AMZN](#)) and **Apple** ([NASDAQ:AAPL](#)) are two of the world's most widely owned stocks. They are both among the world's five biggest stocks by [market cap](#), (which refers to stock price times number of shares), and they're both among the five stocks most owned by retail investors.

It's not hard to understand why Amazon and Apple are popular. If you'd invested in either stock at the time it went public, you'd be a wealthy person today. They've both grown their businesses at an exponential pace over the last two decades, delivering billions in profit year-after-year.

Historically speaking, an investment in either one of these stocks would have been profitable. But as everybody knows, past results don't predict future results. Things can change at any time. On that note, I'm going to explore the question of whether Apple and Amazon are still good buys today, and if so, which one is the better buy.

Growth

In recent years, Amazon has had better [growth](#) than Apple. Its most recent quarter saw 7.2% in revenue growth, while Apple only saw 2% growth. So, Amazon takes the cake on top-line growth. On the other hand, Amazon's earnings declined faster than Apple's last quarter (-126% for the former, -10% for the latter), so you could make the case that Apple has better profit growth than Amazon. Both had negative earnings growth in the most recent period, but Apple's was not as bad as Amazon's.

Profitability

On the profitability front, Apple beats Amazon by a country mile. Over the last 12 months, Apple had a 25% net margin (net income divided by revenue), and a 162% return on equity (net income divided by equity). Both of these metrics were negative for Amazon, which lost money over the last 12 months—at least where conventional accounting rules are concerned.

Amazon's profitability picture has always been complicated. It's losing money according to GAAP

accounting rules, the rules that companies are legally obligated to report by. However, this loss is typically due to heavy investments in expansion; Amazon's [cash flows](#) are usually positive. Nevertheless, Apple's stated profitability metrics are much better than Amazon's, so it wins this round.

Economic moat

Next, we can compare Amazon to Apple in terms of economic moat. "Economic moat" basically means a company's competitive position: if a company faces no competitive threats, it has an impenetrable moat; if it has countless competitors, it has no moat.

Both Amazon and Apple have moats. Amazon's moat resides in the fact that it offers the only one-stop shopping option on the internet: there is no other website where you can buy virtually anything you want. Apple's moat resides in its brand and its pricing power: people consider Apple a status symbol and are willing to pay high prices for its products. Both of these companies have very strong moats, so I'll consider this round a draw.

Conclusion: Apple is slightly better than Amazon

Having looked at growth, profitability, and competitive position, I'm inclined to think that Apple stock offers somewhat better value than Amazon. It's far more profitable than Amazon, while Amazon's edge in growth is only a slight one. Both companies have great competitive positions. So, Apple has one big advantage, Amazon has a small one, and the two are at a stalemate in one category. Therefore, I give Apple the nod.

CATEGORY

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2. NASDAQ:AMZN (Amazon.com Inc.)

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