Better Buy: Apple vs Tesla Stock

Description

Other than the fact that they are both tech stocks and have been excellent investments over the past 10 years, **Apple** (NASDAQ:AAPL) and **Tesla** (NASDAQ:TSLA) have little in common.

Tesla stock has been totally destroyed in 2022, down 73% in the last year, whereas Apple stock has fared better than the Nasdaq. However, both stocks have recovered pretty well so far this year, with Tesla rising more than 86% and Apple over 22%.

There are many compelling reasons why either business would be a wise investment right now. Even if a recession entails short-term margin compression and sluggish growth, Tesla and Apple are well-positioned to weather the storm. Each company also provides a way to grow over several decades by developing core operations and capitalizing on new opportunities.

Here is the current buy case for both Tesla and Apple so that you may choose which stock is best for you. You can choose to buy either, both, or neither.

Apple Stock

Now is a fantastic moment to buy Apple shares after the company lost one-third of its value in the previous year.

There have recently been worries that the company's new iPhone 14 Pro's shipments have decreased as a result of production difficulties in China. What's more, that demand may be weaker as consumer spending slows in the present economic climate. Amid lower earnings concerns, several experts have lowered their forecasts for iPad and Mac computer sales.

This scenario's short-term risk is factored into the current stock price.

The Apple ecosystem is still a successful long-term venture. Long-term growth for Apple does not only entail selling more consumer devices. The iPhone maker is also expanding its financial services, entertainment offerings, and services like Apple Pay and Apple Card. The business makes a tonne of money and gives a tremendous amount back to shareholders as dividends and share repurchases.

Over the previous five years, these share repurchases have decreased Apple's share count by more than 20%.

As a result, current shareholders now own more of Apple. Even if this year's earnings growth slows down, a P/E ratio of approximately 26 is a decent price point to invest in this well-established company. Notwithstanding higher risks, the dangers associated with other, less developed technology and growth companies could be higher.

Tesla Stock

Tesla has an attractive risk-reward ratio.

I believe Tesla will outperform Apple in the next 10 years. Therefore, if I had to choose, I would choose Tesla as the better investment. However, investing in Tesla is far riskier, more stressful, and more erratic. Because of this, if you don't want to deal with the drama, have a shorter time horizon, or have a lower risk tolerance, you should probably stay away from this stock.

No doubt, Tesla has developed into a very good company, regardless of whether you love it or despise it. It boasts a balance sheet, operating margin, top- and bottom-line growth, and free cash flow that are among the best in the sector. And a lot of those advancements have been made over the last two to three years as Tesla has improved its profitability consistency while maintaining its rapid rate of development.

For those who believe Tesla is only a vehicle manufacturer, production and deliveries would have to increase dramatically for Tesla to surpass its prior record. However, if you believe that Tesla can make money from its electric semi-truck, robotics, autonomous and self-driving technology, and expand its renewable energy business, then Tesla may, in 25 years, be an entirely different company with a much higher valuation.

Long-term growth for Tesla entails diversifying its selection of electric vehicles beyond only cars and generating revenue from software and robotics.

All things considered, the risk-reward ratio for Tesla is favourable at this point, but only if you are prepared for a rough ride.

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