2 Back-to-School Stocks to Buy in August

Description

It is well documented that schools around the world had to close their doors because of the COVID-19 pandemic. Depending on your outlook, the announcements indicating that elementary school students were to return to schools may be good or bad. What is certain is that there are companies that will benefit from this decision. In this article, I will provide two stocks that may see a temporary boost, as students prepare to go back to school.

You may not know of this company

Although you may be familiar with its subsidiaries, most may have likely not heard of **George Weston** (TSX:WN). This is one of the largest food processing and distribution companies in the country. George Weston fully owns its subsidiary **Loblaw Companies** and several retail and bakery brands. These include Joe Fresh and Wonder.

The short-term investment thesis with George Weston is that students will need to visit their local Loblaws for new clothes and school supplies. In addition, several of the company's bakery products are very common features in school snacks and lunches. This is an excellent way to indirectly invest in student activity.

Despite being a larger company, it is currently valued at $15 billion, George Weston has still been able to grow its revenue each year. Over the past four years, revenue has seen steady growth increasing 8% over that time. The company also has a great dividend. Its current forward yield is 2.04% and has a payout ratio of 39.11%. George Weston is also a Canadian Dividend Aristocrat, growing its dividend for the past eight years.

Finally, it should be noted that the company is extremely undervalued. The company's current price-to-sales (P/S) ratio is 0.30, where the usual indicator of an undervalued stock is a P/S of two or lower. Similarly, a good value stock should have a price to book (P/B) of three or lower. George Weston currently has a P/B of 2.24.

The go-to for cheap school supplies

Although there are likely more popular stores that provide school supplies, you cannot find more affordable merchandise than at **Dollarama** (TSX:DOL). The company has made its name over the years for being a top budget store for all consumer needs. Today, Dollarama is the largest Canadian retailer of items for $4 or less.

A similar size as George Weston, Dollarama is valued at $15 billion. It is also a component of the **S&P/TSX 60**. This is an index which tracks the performance of 60 large companies listed on the **Toronto Stock Exchange**. Companies that are featured in the index are considered leaders in important industries within Canada.

Dollarama is another company known for being a Canadian Dividend Aristocrat. It has raised its dividend for nine consecutive years. Although the company's forward yield is quite low, 0.36%, so is its dividend payout (10.17%). This indicates that Dollarama is not spending a big amount of its earnings on its dividend. Companies with low dividend payout ratios can sustain distributions during tumultuous times (e.g., a global pandemic) and even raise them in the future.

Foolish takeaway

While many are not fond of the idea of students returning to school so quickly, there are opportunities in the market that are created from this. It should be noted that these companies, in my opinion, should only see any significant gain at the beginning of the school year. If you are interested in holding these companies for the long term, I would do so with that in mind.

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