



Air Canada Stock: How High Could it Go in 2023?

Description

Air Canada ([TSX:AC](#)) stock has started 2023 on a strong note, as it jumped by 4.2% in the first week of the year, closing above the key psychological level of \$20 per share for the first time since November 1. With this, AC stock reached its highest level in over six months. By comparison, the **TSX Composite Index** also rose by 2.2% last week. Let's take a closer look at key fundamental factors that drove it higher last week before discussing how high Air Canada stock could go in 2023.

Why Air Canada stock jumped last week

Last week's sharp gains in Air Canada stock could partly be attributed to the renewed buying in Canadian growth stocks at the start of the year — especially in most beaten-down stocks. This renewed buying was mainly underpinned by investors' hopes that the stock market performance could improve on a YoY (year-over-year) basis in 2023.

In addition, in the week ended on January 6, Statistics Canada [revealed](#) that domestic employment jumped by 104,000 in December with the help of a sharp gain in employment among youth between 15 to 24 years of age. This employment report was significantly stronger than Street's expectations, with the second highest job additions in a single month since March 2022, boosting investors' confidence and triggering a market-wide rally, including in Air Canada's share prices.

But challenges might not be over yet

In the quarter ended in September 2022, Air Canada turned profitable for the first time since the start of the pandemic. During the quarter, its total revenue [jumped](#) by 153% YoY to \$5.3 billion with continued strong travel demand amid easing COVID-related restrictions. This helped the Canadian flag carrier post \$1.23 per share in adjusted quarterly earnings, massively better than Bay Street analysts' estimate of \$0.43 per share.

However, it might be difficult for Air Canada to remain profitable in the next few quarters as high costs due to YoY increase in fuel prices along with higher wages, salaries, and benefits for its employees.

The surging costs could be one of the key reasons why analysts don't expect the airline company to report net losses in the first and second quarters of 2023.

So, how high could AC stock go in 2023?

Overall, Air Canada stock seems to have started the new year on a strong note by posting more than 4% gains in the first week itself. But that doesn't mean that the economic uncertainties from 2022 have suddenly disappeared this year.

In fact, many economic experts and large banks last year predicted that Canada and the United States might enter a moderate recessionary period in early 2023. While market bulls managed to close the first week of 2023 on a positive note, Air Canada stock could still be extremely sensitive to any new macroeconomic developments, which can keep it highly [volatile](#) in the near term.

Air Canada currently has a [market cap](#) of \$7.3 billion, as AC stock trades at \$20.20 per share, down 58% from its pre-pandemic year 2019's closing price of \$48.51 per share. Despite its continued progress on the path to financial recovery, these big losses make it look [undervalued](#) to buy for the long term. Given macroeconomic uncertainties, it's nearly impossible for anyone to predict how high Air Canada stock could go in 2023. But keeping its strong underlying fundamentals in mind, it could be an attractive bet for long-term investors at the current price despite expected short-term volatility.

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