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By James Attwood and Vinícius Andrade

(Bloomberg) -- Vale SA surged to a record after the Brazilian mining powerhouse unveiled a share buyback, delivering on a promise to reward investors for sticking with the company through low prices and a dam catastrophe.

The Rio de Janeiro-based company's board approved a program to buy 270 million shares over a year. Based on Monday's closing price, that implies about $4.9 billion, one of mining's biggest repurchase announcements since 2018.

Vale's buyback, which comes on the heels of a bigger-than-expected dividend, is the latest chapter in its turnaround story. In early 2019, a tailings dam disaster sent Vale into crisis mode, with dividends cut and operations scaled back as the company focused on shoring up safety. Now, after agreeing to a dam-collapse settlement and seeing the prices of its metals rally, Vale is repaying investor loyalty.

While metal prices have come offmulti-year highs in recent weeks, they're still well up on year-ago levels. Vale's iron ore business generated its second-highest earnings ever and the company is focused on existing assets rather than splashing out on deals as it did in previous booms.

Shares rose as much as 6.6% in Sao Paulo Monday, closing at the highest level since trading began in 1994. The buyback should help narrow Vale's discount to its Australian peers, according to BTG Pactual analysts led by Leonardo Correa. Vale fetches 4.8 times estimated profit versus top iron producer Rio

Tinto Group's ratio of 7.9.

"This should be interpreted as a clear signal to the market that Vale's shares are grossly undervalued," the BTG analysts wrote in a report dated April 1.

Earlier on Monday, Vale said Brazilian federal prosecutors suspended investigations into the firm regarding a project in West Africa.

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