



Grupo Aval Acciones y Valores S.A. (AVAL)

Updated April 3rd, 2025 by Ian Bezek

Key Metrics

Current Price:	\$2.70	5 Year CAGR Estimate:	13.2%	Market Cap:	\$3.2B
Fair Value Price:	\$3.00	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	04/11/25
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.1%	Dividend Payment Date:	04/17/25
Dividend Yield:	5.2%	5 Year Price Target	\$4.21	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Sector:	Financial	Rating:	Hold

Overview & Current Events

Grupo Aval Acciones y Valores S.A. is a Colombian financial holding company. It is the parent institution of four different Colombian banks which, in aggregate, are the largest banking entity in the country as measured by deposits and gross loans. Grupo Aval's subsidiaries also control businesses across verticals including pensions and asset management, payments, government finance, investment banking, and insurance. In addition, Aval has partial ownership of a subsidiary which owns hard assets in Colombia including toll roads, energy and gas, agribusiness, and hotels.

Grupo Aval has been publicly-traded in Colombia for more than 30 years, and it debuted its shares in New York with an IPO in 2014. Each U.S. ADR share represents 20 shares of the local Colombian equity. In 2022, Grupo Aval spun off its Central American banking business, which represented about a third of its total assets prior to that transaction. The bank paid out a special dividend of \$1.47 per share to U.S. holders of AVAL stock as compensation in lieu of delivering shares of the new bank to foreign investors. We do not count that dividend in the firm's usual DPS since that acted more like a return of capital in practice. The bank's earnings, not surprisingly, fell sharply following the spinoff of that business. But the bank returned to earnings growth in 2024.

The company reported its Q4 and full-year results on February 19th. Q4 was robust, with the company's net income tripling year-over-year, and EPS rising from 2 cents to 6 cents per share. Loans grew 7% and deposits surged 10% while at the same time, Aval saw its risk metrics improve, leading to dramatic margin expansion. Colombia's economy has been in a slump driven by weak commodity prices and a deeply unpopular president whose economic agenda failed to resonate with Colombian business owners. That said, activity picked up at the end of 2024. Analysts are expecting Aval to earn 39 cents in 2025 driven by far better economic activity. We are modeling a more conservative 30 cents for now given high levels of geopolitical uncertainty, new tariffs announced against Colombia, and weakness in oil prices.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.58	\$0.63	\$0.58	\$0.81	\$0.78	\$0.59	\$0.75	\$0.45	\$0.16	\$0.19	\$0.30	\$0.42
DPS	\$0.66	\$0.38	\$0.33	\$0.29	\$0.34	\$0.34	\$0.28	\$0.28	\$0.18	\$0.13	\$0.14	\$0.18
Shares	1114	1114	1114	1114	1114	1114	1114	1157	1187	1187	1187	1187

The nation of Colombia derives about half its export income from crude oil. As such, Aval's earnings are significantly tied to oil prices and the bank has been in a downward trend operationally since 2014 when oil prices rolled over. The election of a socialist government in 2022 further weakened the Colombian economy. However, local activity is picking up now ahead of 2026 presidential elections where conservatives are projected to win. Aval's earnings remain at a depressed level now and we see significant room for recovery over the next five years. However, Aval did spin off a large business unit in 2022, so it will be hard to regain prior peak levels of profitability with today's smaller asset base.

Aval grew its dividend every year between 2001 and 2015 (as measured in Colombian Pesos). However, the crash in oil prices led to a dividend cut in 2016. Aval pays a monthly dividend, and it just raised its dividend in March 2025. The dividend is set at 27.6 pesos per month per share, a 15% increase from last year's dividend level. In Dollar terms, the dividend works out slightly more than \$.011 per share per month, which amounts to about \$0.14 annually.

Disclosure: This analyst has a long position in AVAL stock.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.2	12.7	14.5	7.3	11.2	11.6	6.8	5.7	15.6	10.5	9.0	10.0
Avg. Yld.	6.5%	4.9%	4.7%	5.7%	4.0%	5.9%	5.3%	6.0%	3.6%	7.9%	5.2%	4.2%

Grupo Aval has averaged a roughly 10x P/E ratio over both the past five and ten years, respectively. That should continue to be a fair valuation for the stock going forward. Aval could earn a higher P/E ratio in the future if Colombia regains more prestige internationally, but for now, it faces lingering structural challenges and political concerns. The bank is currently yielding 5.2%. We expect that this may go down a bit over time as Aval seeks to reinvest in its business.

Safety, Quality, Competitive Advantage, & Recession Resiliency

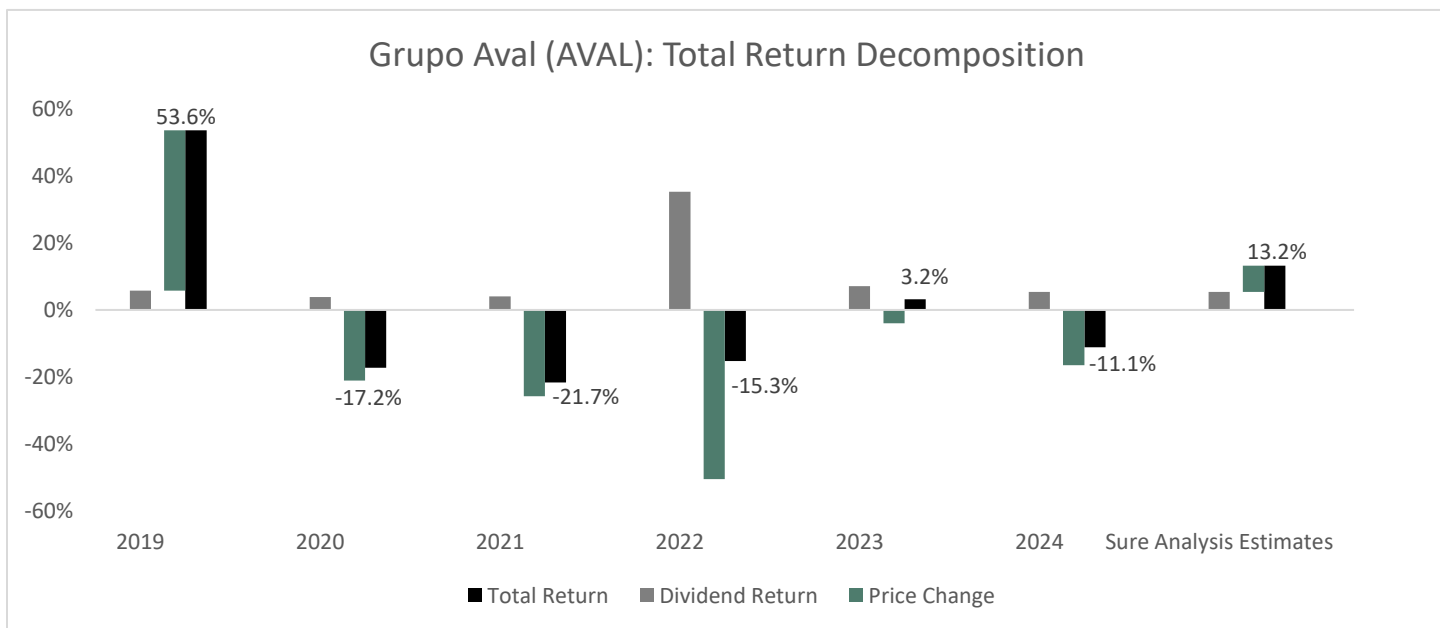
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	114%	60%	57%	36%	44%	58%	37%	62%	113%	68%	47%	42%

Aval had a 14-year dividend growth streak running up through 2015. Management is conservative, and a Colombian billionaire retains ownership of more than 80% of the bank's equity. This family leadership has proven to be good stewards of capital and run the bank prudently. Aval remained profitable and increased its dividend during the 2008 recession. However, Aval is not immune to economic shocks, and it is particularly exposed to oil price volatility. Aval's ownership of hard assets in Colombia makes it more cyclical than some other local financial institutions. We believe the current dividend is sustainable and there is room for dividend growth going forward.

Final Thoughts & Recommendation

Group Aval has faced a perfect storm of economic and political troubles around it in recent years. However, the core bank remains highly profitable and has managed risk well. When Colombia comes out of this downturn and returns to robust economic growth, AVAL shares should lead the charge higher for Colombian equities. The bank's current 5.2% dividend yield, paid monthly, is attractive in its own right, and we see a potentially significant upside growth kicker as well. Despite the projected 13.2% total annualized returns, however, this remains a speculative equity and its mixed dividend track record merits a hold rating for the time being.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	14,494	7,254	6,060	6,868	6,584	4,195	4,287	3,861	3,688	3,950
SG&A Exp.	4,991	2,065	1,620	1,716	1,527	860	916	878	945	1,895
D&A Exp.	762	347	306	325	397	382	387	259	269	
Net Profit	2,005	954	667	988	928	640	883	589	172	250
Net Margin	13.8%	13.1%	11.0%	14.4%	14.1%	15.2%	20.6%	15.3%	4.7%	6.3%
Free Cash Flow	9,107	379	1,267	2,479	1,195	2,174	976	(325)	1,098	
Income Tax	1,845	917	596	729	638	370	622	539	306	233

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	69,337	74,841	78,531	79,980	85,044	94,286	90,258	60,892	78,608	74,424
Cash & Equivalents	7,126	7,411	7,294	8,669	9,170	9,912	8,764	3,275	4,535	3,859
Accounts Receivable	459	622	602	687	671	665				6,347
Goodwill & Int.	3,219	3,462	3,607	4,271	4,903	5,409	5,282	3,611	4,735	4,380
Total Liabilities	62,007	66,604	69,942	70,877	74,873	83,937	80,548	54,543	70,382	66,896
Accounts Payable	464	538	604	569	573	778	794	578	907	
Long-Term Debt	15,136	15,202	15,032	15,773	16,728	17,118	18,027	14,856	17,106	16,531
Shareholder's Equity	4,662	5,211	5,407	5,479	6,054	6,032	5,661	3,392	4,380	3,961
LTD/E Ratio	3.25	2.92	2.78	2.88	2.76	2.84	3.18	4.38	3.91	4.17

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.8%	1.3%	0.9%	1.2%	1.1%	0.7%	1.0%	0.8%	0.2%	0.3%
Return on Equity	24.6%	12.3%	7.9%	11.2%	9.6%	6.2%	8.8%	7.3%	2.4%	3.2%
ROIC	8.7%	4.2%	2.8%	4.1%	3.6%	2.4%	3.2%	2.4%	0.7%	1.0%
Shares Out.	1114	1114	1114	1114	1114	1114	1114	1157	1187	1187
Revenue/Share	18.94	9.51	7.96	9.06	8.69	5.32	5.67	4.90	4.55	3.33
FCF/Share	11.90	0.50	1.67	3.27	1.58	2.76	1.29	(0.41)	1.36	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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