Avient Corporation (AVNT)

Updated February 15th, 2025, by Ian Bezek

Key Metrics

Current Price:	$43	**5 Year CAGR Estimate:**	10.8%	**Market Cap:**	$3.9 B
Fair Value Price:	$51	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	03/18/25
% Fair Value:	84%	**5 Year Valuation Multiple Estimate:**	3.7%	**Dividend Payment Date:**	04/04/25
Dividend Yield:	2.5%	**5 Year Price Target**	$66	**Years Of Dividend Growth:**	14
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Rating:**	Buy

Overview & Current Events

Avient is a company in the specialty chemicals industry. It primarily produces resins and other plastic additives. The company's PVCs, polymer colorings and other products go into end products such as plastic bottles, flooring, and electronic equipment. Avient emerged in 2020 when its predecessor company, Polyone, acquired Clariant Masterbatch. Polyone itself came about from a merger in 2000 and historically grown via M&A.

Following its transformation into Avient, the company's acquisitive streak has continued. In 2022, Avient purchased DSM Protective Materials for $1.49 billion. Avient sold off a distribution business to help fund that deal. And since then, Avient has been focusing on paying down debt and managing its interest expenses amid the higher interest rate environment. It has also poured more into R&D. This appears to be paying off as growth is picking up driven by new product innovations.

Avient reported its Q4 earnings on February 13th, 2025. Adjusted earnings-per-share of $0.49 fell from $0.52 a year ago, but exceeded analyst expectations. Revenues of $747 million increased 4% year-over-year. Avient continues to deal with challenging macroeconomic conditions. That said, the past two quarters have been significantly stronger and backs up management's assertion that Avient has passed through the low point of its recent cyclical downturn. We believe Avient's transformation process along with investments in innovation are delivering results and that the company will deliver steady mid-single digits earnings per share growth going forward.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.96	$2.13	$2.21	$2.43	$1.69	$1.46	$2.51	$2.69	$2.36	$2.66	***$2.86***	***$3.65***
DPS	$0.42	$0.50	$0.58	$0.72	$0.79	$0.82	$0.85	$0.94	$1.00	$1.04	***$1.08***	***$1.31***
Shares	85	83	81	78	77	91	92	91	91	91	***91***	***91***

Avient grew its earnings at a rapid pace between 2012 and 2018, with EPS tripling over that stretch. Since that period, however, growth has been much harder to come by. Earnings declined in 2019 and 2020 before posting a strong recovery in 2021. However, earnings per share stalled out since 2022 as the company deals with a softer demand picture. That said, Avient appears set to generate record earnings per share in 2025 as business is back on the upswing.

Avient had grown its dividend at an appealing rate, managing 10.6% annualized growth since 2015 and 5.7% annually over the past five years. Avient's most recent dividend increase was announced on Oct. 9th, 2024 and boosted the company's dividend 5% to $0.27 per quarter. The company has generally maintained its payout ratio at a fairly low level and it should be well-covered out of earnings even in a cyclical downturn.

Going forward, we estimate 5.0% annualized earnings growth over the next five years. While industry conditions are challenging for now, the company's acquisitions and R&D have achieved favorable returns on investment. Furthermore, Avient operates with a substantially leveraged balance sheet, and so interest rate cuts may make borrowing cheaper and enable the company to pursue additional growth avenues.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.3	15.2	17.2	16.7	18.4	19.3	19.7	16.0	16.1	16.3	***15.0***	***18.0***
Avg. Yld.	1.2%	1.5%	1.5%	1.8%	2.5%	2.9%	2.9%	2.2%	2.6%	2.4%	***2.5%***	***2.0%***

Avient has generally maintained a stable P/E ratio of around 15 to 21 times earnings. Shares have now fallen to the bottom of that range and sit well below our estimated fair value, which assumes an 18x P/E ratio.

Avient's dividend yield started off the in 2010s in the low 1% range. From 2016 and on, the dividend yield started to move up consistently. However, today's 2.5% reading is above our long-term expectations.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	21%	23%	26%	30%	47%	56%	34%	35%	42%	39%	***38%***	***36%***

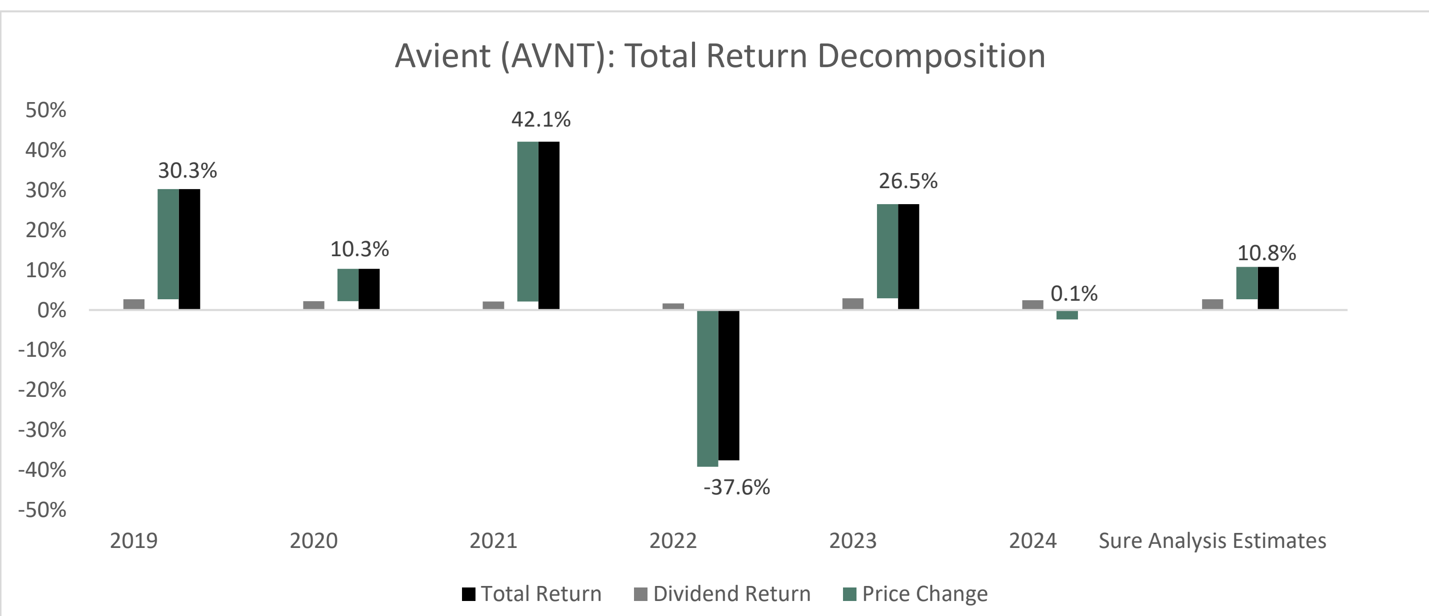
The specialty chemicals industry is known for being highly cyclical. That being the case, Avient's results have been quite strong compared to its sector. Still, as the above payout ratio shows, when earnings dip, such as they did in 2019 and 2020, the company's dividend coverage can slip a notch.

Management has guided to keeping its net debt to adjusted EBITDA ratio below 3.0x, and the recent sale of its distribution business to H.I.G. Capital for $950 million went a long way toward improving its balance sheet. While Avient would see its prospects slip during a recession, we believe the firm's dividend is sustainable at current levels.

Final Thoughts & Recommendation

Avient has delivered a series of mixed earnings reports over the past year. However, Q3 was a big step in the right direction, and the most recent quarter was another reasonably upbeat result. This speaks to Avient's ability to endure a down cycle in its industry. Despite management's favorable guidance for 2025, AVNT shares sold back off again over the past quarter. This has pushed the stock well below our fair value estimate. We see 10.8% annualized total returns, driven by 5% earnings growth along with significant multiple expansion. Shares earn a buy rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3,836	2,929	2,939	2,590	2,881	2,863	3,242	4,819	3,397	3,143
Gross Profit	708	652	676	596	625	657	784	1,100	883	893
Gross Margin	18.5%	22.2%	23.0%	23.0%	21.7%	23.0%	24.2%	22.8%	26.0%	28.4%
SG&A Exp.	553	394	409	423	446	500	595	718	639	696
D&A Exp.	134	116	106	98	92	88	115	146	163	189
Operating Profit	155	258	268	173	179	157	189	381	243	197
Op. Margin	4.0%	8.8%	9.1%	6.7%	6.2%	5.5%	5.8%	7.9%	7.2%	6.3%
Net Profit	79	145	165	(58)	160	589	132	231	703	76
Net Margin	2.1%	4.9%	5.6%	-2.2%	5.5%	20.6%	4.1%	4.8%	20.7%	2.4%
Free Cash Flow	116	149	143	123	178	219	158	133	293	82
Income Tax	11	26	60	1	14	34	5	74	(19)	11

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,666	2,595	2,736	2,705	2,723	3,273	4,871	4,997	6,085	5,968
Cash & Equivalents	239	280	226	244	171	865	650	601	641	546
Acc. Receivable	397	347	326	392	347	330	517	642	441	400
Inventories	309	287	266	328	285	261	328	461	373	347
Goodwill & Int.	953	942	875	1,011	1,062	1,155	2,317	2,212	3,270	3,301
Total Liabilities	1,889	1,890	2,010	2,106	2,183	2,221	3,159	3,207	3,732	3,630
Accounts Payable	366	352	321	389	305	288	472	554	454	432
Long-Term Debt	1,011	1,147	1,258	1,309	1,356	1,229	1,873	1,859	2,179	2,080
Total Equity	776	704	725	599	540	1,052	1,697	1,775	2,335	2,319
LTD/E Ratio	1.30	1.63	1.74	2.19	2.51	1.17	1.10	1.05	0.93	0.90

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.8%	5.5%	6.2%	-2.1%	5.9%	19.6%	3.2%	4.7%	12.7%	1.3%
Return on Equity	9.0%	19.5%	23.1%	-8.7%	28.1%	73.9%	9.6%	13.3%	34.2%	3.2%
ROIC	4.2%	7.9%	8.6%	-3.0%	8.4%	28.2%	4.5%	6.4%	17.2%	1.7%
Shares Out.	89	85	83	81	78	77	91	92	91	92
Revenue/Share	41.02	33.02	34.74	31.55	35.83	36.84	35.78	52.32	36.84	34.24
FCF/Share	1.24	1.68	1.70	1.50	2.21	2.82	1.74	1.45	3.18	0.90

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