UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2021

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ______to ______.

Commission file number 1-16091

AVIENT CORPORATION
(Exact name of registrant as specified in its charter)

Ohio	**34-1730488**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
Avient Center **33587 Walker Road** **Avon Lake, Ohio**	**44012**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: **(440) 930-1000**

Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value $.01 per share	**AVNT**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of the registrant's outstanding common shares, par value $.01 per share, as of June 30, 2021 was 91,297,358.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Avient Corporation
Condensed Consolidated Statements of Income (Unaudited)
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Sales	$ 1,235.2	$ 609.1	$ 2,397.5	$ 1,320.6
Cost of sales	946.5	459.4	1,806.4	999.4
Gross margin	288.7	149.7	591.1	321.2
Selling and administrative expense	180.6	111.7	362.6	230.4
Operating income	108.1	38.0	228.5	90.8
Interest expense, net	(19.5)	(16.2)	(38.8)	(25.6)
Other income, net	1.2	9.5	2.7	11.1
Income from continuing operations before income taxes	89.8	31.3	192.4	76.3
Income tax expense	(20.4)	(7.9)	(43.3)	(19.8)
Net income from continuing operations	69.4	23.4	149.1	56.5
Loss from discontinued operations, net of income taxes	—	(0.2)	—	(0.5)
Net income	$ 69.4	$ 23.2	$ 149.1	$ 56.0
Net income attributable to noncontrolling interests	(0.6)	(0.4)	(1.0)	(0.4)
Net income attributable to Avient common shareholders	$ 68.8	$ 22.8	$ 148.1	$ 55.6
Earnings per share attributable to Avient common shareholders - Basic:				
Continuing operations	$ 0.75	$ 0.25	$ 1.62	$ 0.63
Discontinued operations	—	—	—	—
Total	$ 0.75	$ 0.25	$ 1.62	$ 0.63
Earnings (loss) per share attributable to Avient common shareholders - Diluted:				
Continuing operations	$ 0.74	$ 0.25	$ 1.60	$ 0.63
Discontinued operations	—	—	—	(0.01)
Total	$ 0.74	$ 0.25	$ 1.60	$ 0.62
Weighted-average shares used to compute earnings per common share:				
Basic	91.3	91.4	91.3	88.8
Plus dilutive impact of share-based compensation	1.1	0.4	1.0	0.6
Diluted	92.4	91.8	92.3	89.4
Anti-dilutive shares not included in diluted common shares outstanding	—	1.2	—	0.8
Cash dividends declared per share of common stock	$ 0.2125	$ 0.2025	$ 0.4250	$ 0.4050

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Avient Corporation
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net income	$ 69.4	$ 23.2	$ 149.1	$ 56.0
Other comprehensive income (loss), net of tax:				
Translation adjustments and related hedging instruments	9.5	4.6	(41.5)	(2.7)
Cash flow hedges	0.7	0.2	1.5	(3.2)
Total other comprehensive income (loss)	10.2	4.8	(40.0)	(5.9)
Total comprehensive income	79.6	28.0	109.1	50.1
Comprehensive income attributable to noncontrolling interests	(0.6)	(0.4)	(1.0)	(0.4)
Comprehensive income attributable to Avient common shareholders	$ 79.0	$ 27.6	$ 108.1	$ 49.7

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Avient Corporation
Condensed Consolidated Balance Sheets
(In millions)

	(Unaudited) June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 616.2	$ 649.5
Accounts receivable, net	705.2	516.6
Inventories, net	412.5	327.5
Other current assets	124.2	108.5
Total current assets	1,858.1	1,602.1
Property, net	680.1	694.9
Goodwill	1,281.7	1,308.1
Intangible assets, net	944.9	1,008.5
Operating lease assets, net	87.3	80.9
Other non-current assets	195.3	176.0
Total assets	$ 5,047.4	$ 4,870.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term and current portion of long-term debt	$ 18.8	$ 18.6
Accounts payable	574.6	471.7
Current operating lease obligations	24.9	25.1
Accrued expenses and other current liabilities	316.0	285.6
Total current liabilities	934.3	801.0
Non-current liabilities:		
Long-term debt	1,852.2	1,854.0
Pension and other post-retirement benefits	112.6	115.0
Non-current operating lease obligations	62.8	56.0
Other non-current liabilities	299.1	332.8
Total non-current liabilities	2,326.7	2,357.8
SHAREHOLDERS' EQUITY		
Avient shareholders' equity	1,768.2	1,697.1
Noncontrolling interest	18.2	14.6
Total equity	1,786.4	1,711.7
Total liabilities and equity	$ 5,047.4	$ 4,870.5

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Avient Corporation
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating Activities		
Net income	$ 149.1	$ 56.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69.5	40.8
Accelerated depreciation and amortization	1.4	—
Share-based compensation expense	5.6	5.7
Changes in assets and liabilities, net of the effect of acquisitions:		
(Increase) decrease in accounts receivable	(196.1)	16.8
(Increase) decrease in inventories	(88.1)	17.4
Increase (decrease) in accounts payable	108.4	(23.5)
Decrease in pension and other post-retirement benefits	(9.2)	(12.7)
Increase (decrease) in accrued expenses and other assets and liabilities, net	27.5	(3.5)
Payment of post-acquisition date earnout liability	—	(21.0)
Net cash provided by operating activities	68.1	76.0
Investing activities		
Capital expenditures	(42.1)	(21.3)
Net proceeds from divestiture	—	7.1
Net cash proceeds provided by other assets	(2.0)	5.2
Net cash used by investing activities	(44.1)	(9.0)
Financing activities		
Debt offering proceeds	—	650.0
Purchase of common shares for treasury	(4.2)	(13.6)
Cash dividends paid	(38.8)	(34.3)
Repayment of long-term debt	(4.4)	(4.2)
Payments of withholding tax on share awards	(4.2)	(1.6)
Debt financing costs	—	(9.7)
Equity offering proceeds, net of underwriting discount and issuance costs	—	496.1
Payment of acquisition date earnout liability	—	(32.9)
Net cash (used) provided by financing activities	(51.6)	1,049.8
Effect of exchange rate changes on cash	(5.7)	(4.5)
(Decrease) increase in cash and cash equivalents	(33.3)	1,112.3
Cash and cash equivalents at beginning of year	649.5	864.7
Cash and cash equivalents at end of period	$ 616.2	$ 1,977.0

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Avient Corporation
Consolidated Statements of Shareholders' Equity (Unaudited)
(In millions)

	Common Shares		Shareholders' Equity							
	Common Shares	**Common Shares Held in Treasury**	**Common Shares**	**Additional Paid-in Capital**	**Retained Earnings**	**Common Shares Held in Treasury**	**Accumulated Other Comprehensive (Loss) Income**	**Total Avient shareholders' equity**	**Non-controlling Interests**	**Total equity**
Balance at January 1, 2021	122.2	(30.8)	$ 1.2	$ 1,513.3	$ 1,057.4	$ (901.2)	$ 26.4	$ 1,697.1	$ 14.6	$ 1,711.7
Net income	—	—	—	—	79.3	—	—	79.3	0.4	79.7
Other comprehensive loss	—	—	—	—	—	—	(50.2)	(50.2)	—	(50.2)
Cash dividends declared (1)	—	—	—	—	(19.5)	—	—	(19.5)	—	(19.5)
Repurchase of common shares	—	(0.1)	—	—	—	(4.2)	—	(4.2)	—	(4.2)
Share-based compensation and exercise of awards	—	0.1	—	2.9	—	1.6	—	4.5	—	4.5
Balance at March 31, 2021	122.2	(30.8)	$ 1.2	$ 1,516.2	$ 1,117.2	$ (903.8)	$ (23.8)	$ 1,707.0	$ 15.0	$ 1,722.0
Net income	—	—	—	—	68.8	—	—	68.8	0.6	69.4
Other comprehensive income	—	—	—	—	—	—	10.2	10.2	—	10.2
Acquisitions/other	—	—	—	—	—	—	—	—	2.6	2.6
Cash dividends declared (1)	—	—	—	—	(19.4)	—	—	(19.4)	—	(19.4)
Share-based compensation and exercise of awards	—	—	—	1.0	—	0.6	—	1.6	—	1.6
Balance at June 30, 2021	122.2	(30.8)	$ 1.2	$ 1,517.2	$ 1,166.6	$ (903.2)	$ (13.6)	$ 1,768.2	$ 18.2	$ 1,786.4

(1) Dividends declared per share were $0.2125 and $0.4250 for the three and six months ended June 30, 2021.

	Common Shares		Shareholders' Equity							
	Common Shares	Common Shares Held in Treasury	Common Shares	Additional Paid-in Capital	Retained Earnings	Common Shares Held in Treasury	Accumulated Other Comprehensive (Loss) Income	Total Avient shareholders' equity	Non-controlling Interests	Total equity
Balance at January 1, 2020	122.2	(45.3)	$ 1.2	$ 1,175.2	$ 1,001.2	$ (1,043.1)	$ (82.6)	$ 1,051.9	$ 0.8	$ 1,052.7
Net income	—	—	—	—	32.8	—	—	32.8	—	32.8
Other comprehensive loss	—	—	—	—	—	—	(10.7)	(10.7)	—	(10.7)
Noncontrolling interest activity	—	—	—	—	—	—	—	—	(0.8)	(0.8)
Cash dividends declared (2)	—	—	—	—	(18.7)	—	—	(18.7)	—	(18.7)
Repurchase of common shares	—	(1.0)	—	—	—	(13.6)	—	(13.6)	—	(13.6)
Common shares equity offering	—	15.3		334.6	—	161.3	—	495.9	—	495.9
Share-based compensation and exercise of awards	—	0.2	—	(0.5)	—	1.6	—	1.1	—	1.1
Other	—	—	—	—	(0.3)	—	—	(0.3)	—	(0.3)
Balance at March 31, 2020	122.2	(30.8)	$ 1.2	$ 1,509.3	$ 1,015.0	$ (893.8)	$ (93.3)	$ 1,538.4	$ —	$ 1,538.4
Net income	—	—	—	—	22.8	—	—	22.8	0.4	23.2
Other comprehensive loss	—	—	—	—	—	—	4.8	4.8	—	4.8
Cash dividends declared (1)	—	—	—	—	(18.5)	—	—	(18.5)	—	(18.5)
Share-based compensation and exercise of awards	—	—	—	3.2	—	0.4	—	3.6	—	3.6
Balance at June 30, 2020	122.2	(30.8)	$ 1.2	$ 1,512.5	$ 1,019.3	$ (893.4)	$ (88.5)	$ 1,551.1	$ 0.4	$ 1,551.5

(2) Dividends declared per share were $0.2025 and $0.4050 for the three and six months ended June 30, 2020.

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Avient Corporation
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 — BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Form 10-Q instructions and in the opinion of management contain all adjustments, including those that are normal, recurring and necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in the Annual Report on Form 10-K for the year ended December 31, 2020 of Avient Corporation, formerly known as PolyOne Corporation. When used in this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our,” “Avient” and the “Company” mean Avient Corporation and its consolidated subsidiaries.

Operating results for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be attained in subsequent periods or for the year ending December 31, 2021.

Accounting Standards Adopted

On January 1, 2021, the Company adopted Accounting Standards Update (ASU) 2019-12, *Income Taxes (ASC 740) - Simplifying the Accounting for Income Taxes (ASU 2019-12)*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Financial Accounting Standards Board Accounting Standards Codification (ASC) 740 and also clarifies and amends existing guidance to improve consistent application. The adoption of ASU 2019-12 did not result in any material impact.

Accounting Standards Not Yet Adopted

ASU 2020-04, *Reference Rate Reform (ASU 2020-04),* provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as LIBOR. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The amendments in ASU 2020-04 are effective through December 31, 2022. The Company is currently evaluating the impact of adopting this standard on our consolidated financial statements and disclosures.

Note 2 — BUSINESS COMBINATIONS

On July 1, 2020, the Company completed its acquisition of the equity interests in the global masterbatch business of Clariant AG, a corporation organized and existing under the law of Switzerland (Clariant), and the masterbatch assets in India of Clariant Chemicals (India) Limited, a public limited company incorporated in India and an indirect majority owned subsidiary of Clariant (Clariant India). The business and assets are collectively referred to as Clariant MB and the acquisitions are collectively referred to as the Clariant MB Acquisition.

Total consideration paid by the Company to complete the Clariant MB Acquisition was $1.4 billion net of cash and debt acquired. To finance the purchase of Clariant MB, the Company used $496.1 million in net proceeds from the issuance of common shares in an underwritten public offering completed in February 2020 and $640.5 million in net proceeds from a senior unsecured notes offering completed in May 2020, and funded the balance using the net proceeds of the October 2019 sale of our Performance Products and Solutions business segment (PP&S).

The Clariant MB Acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805. As of June 30, 2021, the purchase accounting for the Clariant MB Acquisition was finalized.

The summarized purchase price allocation is as follows:

	Preliminary Allocation As of December 31, 2020	Measurement Period Adjustments	Final Allocation
Cash and cash equivalents	$ 145.1	$ —	$ 145.1
Accounts receivable	170.8	—	170.8
Inventories	99.0	0.2	99.2
Other current assets	56.9	6.3	63.2
Property	267.6	(7.5)	260.1
Goodwill	569.0	(7.8)	561.2
Intangible assets:			
Customer relationships	221.9	(20.7)	201.2
Trade names and trademarks	32.0	2.8	34.8
Patents, technology and other	273.9	7.4	281.3
Operating lease assets	30.1	—	30.1
Other long-term assets	1.3	5.8	7.1
Short term debt	(0.4)	—	(0.4)
Accounts payable	(92.7)	1.2	(91.5)
Current operating lease obligations	(2.8)	—	(2.8)
Accrued expenses and other current liabilities	(81.2)	(4.5)	(85.7)
Long-term debt	(6.7)	—	(6.7)
Non-current operating lease obligations	(25.8)	—	(25.8)
Deferred tax liabilities	(60.7)	25.9	(34.8)
Pension and other post retirement benefits	(53.8)	—	(53.8)
Other long-term liabilities	(5.4)	(6.7)	(12.1)
Non-controlling interests	(12.8)	(2.4)	(15.2)
Total purchase price consideration	$ 1,525.3	$ —	$ 1,525.3

The intangible assets that have been acquired are being amortized over a period of 18 to 20 years.

Goodwill of $561.2 million was recorded and allocated to the Color, Additives and Inks segment. The goodwill recognized is primarily attributable to the expected synergies to be achieved from the business combination. A portion of goodwill is deductible for tax purposes.

Had the Clariant MB Acquisition occurred on January 1, 2019, which was the beginning of the fiscal year prior to the acquisition, sales and income from continuing operations before income taxes on a pro forma basis would have been as follows:

	(Unaudited)	
	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Sales	$ 870.2	$ 1,861.1
Income from continuing operations before income taxes	55.1	113.9

The unaudited pro forma financial information has been calculated after applying our accounting policies and adjusting the historical results with pro forma adjustments that assume the acquisition occurred on January 1, 2019. These unaudited pro forma results do not represent financial results realized, nor are they intended to be a projection of future results. In preparation of the pro forma financial information, we eliminated certain historical allocations made by Clariant as they do not represent the stand alone operations of Clariant MB and replaced them with costs more likely to occur as a part of Avient. This elimination removed expense of $3.3 million and $6.6 million during the three and six months ended June 30, 2020, respectively.

Costs incurred in connection with the Clariant MB Acquisition were $7.9 million and $11.4 million for the three and six months ended June 30, 2020, respectively. These fees were charged to *Selling and Administrative expense* on the Condensed Consolidated Statements of Income.

Other Acquisitions

Our acquisitions of PlastiComp, Inc. (PlastiComp) on May 31, 2018 and Fiber-Line, LLC (Fiber-Line) on January 2, 2019 involved contingent earnout consideration. The PlastiComp earnout had a ceiling of $35.0 million that was reached during the first quarter of 2020 and paid in the third quarter of 2020. The Fiber-Line earnout was based on two annual earnout periods, with the second earnout period target based on year-one results. A payment of $53.9 million associated with the first Fiber-Line earnout period was made in the first quarter of 2020. There was no payment made for the second Fiber-Line earnout period, which ended on December 31, 2020.

Note 3 — GOODWILL AND INTANGIBLE ASSETS

Goodwill as of June 30, 2021 and December 31, 2020 and changes in the carrying amount of goodwill by segment were as follows:

(In millions)	Specialty Engineered Materials	Color, Additives and Inks	Distribution	Total
Balance at December 31, 2020	$ 237.8	$ 1,068.7	$ 1.6	$ 1,308.1
Acquisition of businesses	—	(7.8)	—	(7.8)
Currency translation	(0.5)	(18.1)	—	(18.6)
Balance at June 30, 2021	$ 237.3	$ 1,042.8	$ 1.6	$ 1,281.7

Indefinite and finite-lived intangible assets consisted of the following:

	As of June 30, 2021			
(In millions)	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Customer relationships	$ 489.0	$ (123.3)	$ 12.1	$ 377.8
Patents, technology and other	560.1	(117.7)	14.2	456.6
Indefinite-lived trade names	110.5	—	—	110.5
Total	$ 1,159.6	$ (241.0)	$ 26.3	$ 944.9

	As of December 31, 2020			
(In millions)	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Customer relationships	$ 508.7	$ (109.8)	$ 23.8	$ 422.7
Patents, technology and other	549.9	(102.4)	28.8	476.3
Indefinite-lived trade names	109.5	—	—	109.5
Total	$ 1,168.1	$ (212.2)	$ 52.6	$ 1,008.5

Note 4 — LEASING ARRANGEMENTS

We lease certain manufacturing facilities, warehouse space, machinery and equipment, vehicles and information technology equipment. The majority of our leases are operating leases. Finance leases are immaterial to our condensed consolidated financial statements. Operating lease assets and obligations are reflected within *Operating lease assets, net, Current operating lease obligations,* and *Non-current operating lease obligations,* respectively, on the Condensed Consolidated Balance Sheets.

Lease expense is recognized on a straight-line basis over the lease term, with variable lease payments recognized in the period those payments are incurred. The components of lease cost from continued operations recognized within our Condensed Consolidated Statements of Income were as follows:

(In millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cost of sales	$ 5.5	$ 2.4	$ 9.3	$ 4.2
Selling and administrative expense	3.4	4.3	7.8	9.1
Total operating lease cost	$ 8.9	$ 6.7	$ 17.1	$ 13.3

We often have options to renew lease terms for buildings and other assets. The exercise of lease renewal options are generally at our sole discretion. In addition, certain lease arrangements may be terminated prior to their original expiration date at our discretion. We evaluate renewal and termination options at the lease commencement date to determine if we are reasonably certain to exercise the option on the basis of economic factors. The weighted average remaining lease term for our operating leases as of June 30, 2021 and 2020 was 4.9 years and 3.9 years, respectively.

The discount rate implicit within our leases is generally not determinable and, therefore, the Company determines the discount rate based on its incremental borrowing rate. The incremental borrowing rate for our leases is determined based on lease term and currency in which lease payments are made, adjusted for impacts of collateral. The weighted average discount rates used to measure our operating lease liabilities as of June 30, 2021 and 2020 were 3.7% and 4.3%, respectively.

Maturity Analysis of Operating Lease Liabilities:

(In millions)	As of June 30, 2021
2021	$ 15.4
2022	26.1
2023	19.7
2024	12.6
2025	7.9
Thereafter	15.6
Total lease payments	97.3
Less amount of lease payment representing interest	(9.6)
Total present value of lease payments	$ 87.7

Note 5 — INVENTORIES, NET

Components of *Inventories, net* are as follows:

(In millions)	As of June 30, 2021	As of December 31, 2020
Finished products	$ 205.4	$ 171.7
Work in process	21.6	16.6
Raw materials and supplies	185.5	139.2
Inventories, net	$ 412.5	$ 327.5

Note 6 — PROPERTY, NET

Components of *Property, net* are as follows:

(In millions)	As of June 30, 2021	As of December 31, 2020
Land and land improvements	$ 93.0	$ 95.7
Buildings	334.4	333.5
Machinery and equipment	972.1	948.2
Property, gross	1,399.5	1,377.4
Less accumulated depreciation	(719.4)	(682.5)
Property, net	$ 680.1	$ 694.9

Note 7 — INCOME TAXES

During the three and six months ended June 30, 2021, the Company's effective tax rate of 22.6% and 22.5%, respectively, was above the U.S. federal statutory rate of 21.0% primarily due to state taxes, foreign withholding tax liability accrued associated with the future repatriation of certain current year foreign earnings and U.S. global intangible low-taxed income (GILTI) tax. These unfavorable items were partially offset by changes in net foreign deferred tax assets from a foreign statutory tax rate change, favorable prior year foreign return-to-provision adjustments and U.S. research and development tax credit.

During the three and six months ended June 30, 2020, the Company's effective tax rate of 25.1% and 25.9%, respectively, was above the U.S. federal statutory rate of 21.0% primarily due to foreign withholding tax liability accrued associated with the future repatriation of certain current year foreign earnings, GILTI tax and certain other non-deductible items. These unfavorable items were partially offset by changes in net foreign deferred tax assets from a foreign statutory tax rate change, favorable prior year foreign return-to-provision adjustments and U.S. research and development tax credits.

Note 8 — FINANCING ARRANGEMENTS

Debt consists of the following instruments:

As of June 30, 2021 (in millions)	Principal Amount	Unamortized discount and debt issuance cost	Net Debt	Weighted average interest rate
Senior secured revolving credit facility due 2022	$ —	$ —	$ —	— %
Senior secured term loan due 2026	614.7	7.1	607.6	1.87 %
5.25% senior notes due 2023	600.0	1.9	598.1	5.25 %
5.75% senior notes due 2025	650.0	7.8	642.2	5.75 %
Other Debt	23.1	—	23.1	
Total Debt	1,887.8	16.8	1,871.0	
Less short-term and current portion of long-term debt	18.8	—	18.8	
Total long-term debt, net of current portion	$ 1,869.0	$ 16.8	$ 1,852.2	

As of December 31, 2020 (in millions)	Principal Amount	Unamortized discount and debt issuance cost	Net Debt	Weighted average interest rate
Senior secured revolving credit facility due 2022	$ —	$ —	$ —	— %
Senior secured term loan due 2026	618.0	8.0	610.0	2.36 %
5.25% senior notes due 2023	600.0	2.5	597.5	5.25 %
5.75% senior notes due 2025	650.0	8.8	641.2	5.75 %
Other Debt	23.9	—	23.9	
Total Debt	1,891.9	19.3	1,872.6	
Less short-term and current portion of long-term debt	18.6	—	18.6	
Total long-term debt, net of current portion	$ 1,873.3	$ 19.3	$ 1,854.0	

On May 13, 2020, the Company entered into an indenture (the Indenture) with U.S. Bank National Association, as trustee (the Trustee), relating to the issuance by the Company of $650 million aggregate principal amount of 5.75% Senior Notes due 2025 (the Notes). The Notes were sold on May 13, 2020 in a private transaction exempt from the registration requirements of the Securities Act of 1933 (the Securities Act), have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. The Company received net proceeds of $640.5 million from the Notes offering, net of debt issuance costs, which were recorded on the balance sheet and are being amortized into *Interest expense, net* on the Condensed Consolidated Statements of Income over the term of the debt.

The Notes bear interest at a rate of 5.75% per annum, which is payable semi-annually in arrears on May 15 and November 15 of each year. The Notes will mature on May 15, 2025. The Notes are senior unsecured obligations of the Company.

The agreements governing our senior secured revolving credit facility, our senior secured term loan, and the indentures and credit agreements governing other debt, contain a number of customary financial and restrictive covenants that, among other things, limit our ability to: consummate asset sales, incur additional debt or liens, consolidate or merge with any entity or transfer or sell all or substantially all of our assets, pay dividends or make certain other restricted payments, make investments, enter into transactions with affiliates, create dividend or other payment restrictions with respect to subsidiaries, make capital investments and alter the business we conduct. As of June 30, 2021, we were in compliance with all covenants.

The estimated fair value of Avient’s debt instruments at June 30, 2021 and December 31, 2020 was $1,942.9 million and $1,955.9 million, respectively. The fair value of Avient’s debt instruments was estimated using prevailing market interest rates on debt with similar creditworthiness, terms and maturities and represent Level 2 measurements within the fair value hierarchy.

Note 9 — SEGMENT INFORMATION

Avient has three reportable segments: (1) Color, Additives and Inks; (2) Specialty Engineered Materials; and (3) Distribution. Operating income is the primary measure that is reported to our chief operating decision maker (CODM) for purposes of allocating resources to the segments and assessing their performance. For additional information regarding Avient's business segments, see Note 15 to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Segment information for the three and six months ended June 30, 2021 and 2020 is as follows:

(In millions)	Three Months Ended June 30, 2021 Sales to External Customers	Three Months Ended June 30, 2021 Total Sales	Three Months Ended June 30, 2021 Operating Income	Three Months Ended June 30, 2020 Sales to External Customers	Three Months Ended June 30, 2020 Total Sales	Three Months Ended June 30, 2020 Operating Income
Color, Additives and Inks	$ 622.3	$ 624.4	$ 86.3	$ 225.9	$ 226.8	$ 32.3
Specialty Engineered Materials	219.1	240.6	37.3	146.3	158.8	17.0
Distribution	392.1	404.4	23.7	234.6	238.8	14.6
Corporate and eliminations	1.7	(34.2)	(39.2)	2.3	(15.3)	(25.9)
Total	$ 1,235.2	$ 1,235.2	$ 108.1	$ 609.1	$ 609.1	$ 38.0

(In millions)	Six Months Ended June 30, 2021 Sales to External Customers	Six Months Ended June 30, 2021 Total Sales	Six Months Ended June 30, 2021 Operating Income	Six Months Ended June 30, 2020 Sales to External Customers	Six Months Ended June 30, 2020 Total Sales	Six Months Ended June 30, 2020 Operating Income
Color, Additives and Inks	$ 1,230.2	$ 1,233.7	$ 175.1	$ 481.3	$ 483.3	$ 72.8
Specialty Engineered Materials	414.9	457.1	71.5	315.5	344.1	39.3
Distribution	747.0	767.1	47.7	518.0	528.3	34.0
Corporate and eliminations	5.4	(60.4)	(65.8)	5.8	(35.1)	(55.3)
Total	$ 2,397.5	$ 2,397.5	$ 228.5	$ 1,320.6	$ 1,320.6	$ 90.8

(In millions)	Total Assets As of June 30, 2021	Total Assets As of December 31, 2020
Color, Additives and Inks	$ 3,061.9	$ 3,018.7
Specialty Engineered Materials	772.4	728.1
Distribution	343.0	244.9
Corporate and eliminations	870.1	878.8
Total assets	$ 5,047.4	$ 4,870.5

Note 10 — COMMITMENTS AND CONTINGENCIES

We have been notified by federal and state environmental agencies and by private parties that we may be a potentially responsible party (PRP) in connection with the environmental investigation and remediation of certain sites. While government agencies frequently assert that PRPs are jointly and severally liable at these sites, in our experience, the interim and final allocations of liability costs are generally made based on the relative contribution of waste. We may also initiate corrective and preventive environmental projects of our own to ensure safe and lawful activities at our operations. We believe that compliance with current governmental regulations at all levels will not have a material adverse effect on our financial position, results of operations or cash flows.

In September 2007, the United States District Court for the Western District of Kentucky (Court) in the case of *Westlake Vinyls, Inc. v. Goodrich Corporation, et al*., held that Avient must pay the remediation costs at the former Goodrich Corporation Calvert City facility (now largely owned and operated by Westlake Vinyls, Inc. (Westlake Vinyls)), together with certain defense costs of Goodrich Corporation. The rulings also provided that Avient can seek indemnification for contamination attributable to Westlake Vinyls.

Following the rulings, the parties to the litigation agreed to settle all claims regarding past environmental costs incurred at the site. The settlement agreement provides a mechanism to pursue allocation of future remediation costs at the Calvert City site to Westlake Vinyls. We will adjust our accrual, in the future, consistent with any such future allocation of costs. Additionally, we continue to pursue available insurance coverage related to this matter and recognize gains as we receive reimbursement.

The environmental obligation at the site arose as a result of an agreement between The B.F. Goodrich Company (n/k/a Goodrich Corporation) and our predecessor, The Geon Company, at the time of the initial public offering in 1993. Under the agreement, The Geon Company agreed to indemnify Goodrich Corporation for certain environmental costs at the site. Neither Avient nor The Geon Company ever operated the facility.

Since 2009, Avient, along with respondents Westlake Vinyls, and Goodrich Corporation, have worked with the United States Environmental Protection Agency (USEPA) on the investigation of contamination at the site as well as the evaluation of potential remedies to address the contamination. The USEPA issued its Record of Decision (ROD) in September 2018, selecting a remedy consistent with our accrual assumptions. In April 2019, the respondents signed an Administrative Settlement Agreement and Order on Consent with the USEPA to conduct the remedial actions at the site. In February 2020, the three companies signed the agreed Consent Decree and remedial action Work Plan, which received Federal Court approval in January 2021. Our current reserve totals $111.5 million.

In March 2013, Avient acquired Spartech Corporation (Spartech). One of Spartech's subsidiaries, Franklin-Burlington Plastics, Inc. (Franklin-Burlington), operated a plastic resin compounding facility in Kearny, New Jersey, located adjacent to the Passaic River. Portions of the Passaic River have been identified as operable units of the Diamond Alkali Superfund Site. In March 2016, the USEPA selected a remedy for the lower eight miles of the river, and Occidental Chemical Corporation (OCC) is currently preparing a Remedial Design for the USEPA. Pursuant to a USEPA order, current and former property owners along the river, including Franklin-Burlington, completed a remedial investigation and feasibility study for an upper nine-mile portion of the river, which resulted in the USEPA's issuance in April 2021 of a remedial proposed plan for public comment.

In September 2017, the USEPA commenced an allocation process with a third-party allocator for the lower eight miles of the LPRSA, involving over 80 companies, including Franklin-Burlington. In December 2020, the allocator provided a recommendation report to the USEPA. The USEPA is currently reviewing that report and has not indicated when this allocation process will conclude.

In June 2018, Occidental Chemical Corporation (OCC), independent of the USEPA, filed suit against 100 named entities, including Franklin-Burlington, seeking contribution for past and future costs associated with the remediation of the lower eight-mile portion of the LPRSA.

The USEPA has not identified Franklin-Burlington as a responsible party for remedial design or remedial actions for any portion of the Passaic River, and we have not identified evidence that Franklin-Burlington contributed materially to the contamination into the Passaic River.

Franklin-Burlington has determined that the current best estimate of any allocation of the liability that may be assigned to Franklin-Burlington will not be material to the consolidated financial statements. Our current reserve is approximately $2.5 million as of June 30, 2021.

During the three and six months ended June 30, 2021, Avient recognized $12.5 million and $13.0 million of expense, respectively, related to environmental remediation costs, compared to $3.1 million and $3.5 million recognized during the three and six months ended June 30, 2020, respectively. During the six months ended June 30, 2021, Avient received $4.5 million of insurance recoveries for previously incurred environmental costs. During the three and six months ended June 30, 2020, Avient received $8.5 million and $8.7 million of insurance recoveries for previously incurred environmental costs, respectively. These expenses and insurance recoveries are included within *Cost of sales* within our Condensed Consolidated Statements of Income. Insurance recoveries are recognized as a gain when received.

Our Condensed Consolidated Balance Sheets include accruals totaling $124.2 million and $119.7 million as of June 30, 2021 and December 31, 2020, respectively, based on our estimates of probable future environmental expenditures relating to previously contaminated sites. These undiscounted amounts are included in *Accrued expenses and other current liabilities* and *Other non-current liabilities* on the accompanying Condensed Consolidated Balance Sheets. The accruals represent our best estimate of probable future costs that we can reasonably estimate, based upon currently available information and technology and our view of the most likely remedy. Depending upon the results of future testing, completion and results of remedial investigation and feasibility studies, the ultimate remediation alternatives undertaken, changes in regulations, technology development, new information, newly discovered conditions and other factors, it is reasonably possible that we could incur additional costs in excess of the amount accrued at June 30, 2021. However, such additional costs, if any, cannot be currently estimated.

Avient is subject to a broad range of claims, administrative and legal proceedings such as lawsuits that relate to contractual allegations, tax audits, product claims, personal injuries, and employment related matters. Although it is not possible to predict with certainty the outcome or cost of these matters, the Company believes our current reserves are appropriate and these matters will not have a material adverse effect on the condensed consolidated financial statements.

Note 11 — DERIVATIVES AND HEDGING

We are exposed to market risks, such as changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures we may enter into various derivative transactions. We formally assess, designate and document, as a hedge of an underlying exposure, the qualifying derivative instrument that will be accounted for as an accounting hedge at inception. Additionally, we assess both at inception and at least quarterly thereafter, whether the financial instruments used in the hedging transaction are effective at offsetting changes in either the fair values or cash flows of the underlying exposures. In accordance with ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12), that ongoing assessment will be done qualitatively for highly effective relationships.

Net Investment Hedge

During October and December 2018, as a means of mitigating the impact of currency fluctuations on our euro investments in foreign entities, we executed a total of six cross currency swaps, in which we will pay fixed-rate interest in euros and receive fixed-rate interest in U.S. dollars with a combined notional amount of 250.0 million euros and which mature in March 2023. In August and September 2020, we executed an additional five cross currency swaps, which are structured similarly to those executed in 2018. These swaps have a combined notional amount of 677.0 million euros, which mature in May 2025. These effectively convert a portion of our U.S. dollar denominated fixed-rate debt to euro denominated fixed-rate debt. That conversion resulted in gains of $3.5 million and $7.0 million for the three and six months ended June 30, 2021, compared to gains of $2.0 million and $4.1 million for the three and six months ended June 30, 2020, respectively. These gains were recognized within *Interest expense, net* within the Condensed Consolidated Statements of Income.

We designated the cross currency swaps as net investment hedges of our net investment in our European operations under ASU 2017-12 and applied the spot method to these hedges. The changes in fair value of the derivative instruments that are designated and qualify as hedges of net investments in foreign operations are recognized within A*ccumulated Other Comprehensive Income* (AOCI) to offset the changes in the values of the net investment being hedged. For the three and six months ended June 30, 2021, a loss of $5.2 million and a gain of $17.7 million were recognized within translation adjustments in AOCI, net of tax, respectively, compared to a loss of $2.8 million and a gain of $6.0 million for the three and six months ended June 30, 2020, respectively.

Derivatives Designated as Cash Flow Hedging Instruments

In August 2018, we entered into two interest rate swaps with a combined notional amount of $150.0 million to manage the variability of cash flows in the interest rate payments associated with our existing LIBOR-based interest payments, effectively converting $150.0 million of our floating rate debt to a fixed rate. We began to receive floating rate interest payments based upon one-month U.S. dollar LIBOR and in return are obligated to pay interest at a fixed rate of 2.732% until November 2022. We have designated these interest rate swap contracts as cash flow hedges pursuant to Accounting Standards Codification Topic 815, *Derivatives and Hedging*. The net interest payments accrued each month for these highly effective hedges are reflected in net income as adjustments of interest expense and the remaining change in the fair value of the derivatives is recorded as a component of AOCI. The amount of expense recognized within *Interest expense, net* in our Condensed Consolidated Statements of Income was $1.0 million and $2.0 million for the three and six months ended June 30, 2021, compared to $0.8 million and $1.2 million for the three and six months ended June 30, 2020. For the three and six months ended June 30, 2021, gains of $0.7 million and $1.5 million were recognized in AOCI, net of tax, compared to a gain of $0.2 million and a loss of $3.2 million for the three and six months ended June 30, 2020.

All of our derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. We determine the fair value of our derivatives based on valuation methods, which project future cash flows and discount the future amounts present value using market based observable inputs, including interest rate curves and foreign currency rates.

The fair value of derivative financial instruments recognized in the Condensed Consolidated Balance Sheets is as follows:

(In millions)	Balance Sheet Location	As of June 30, 2021	As of December 31, 2020
Liabilities			
Cross Currency Swaps (Net Investment Hedge)	Other non-current liabilities	$ 17.3	$ 41.1
Interest Rate Swap (Cash Flow Hedge)	Other non-current liabilities	$ 5.3	$ 7.3

Note 12 — SUBSEQUENT EVENTS

On July 1, 2021, the Company completed its acquisition of Magna Colours Ltd. (Magna Colours), a market leader in sustainable, water-based inks technology for the textile screen printing industry, for the purchase price of approximately $48.0 million, net of cash acquired. The results of the Magna Colours business will be reported within the Color, Additives and Inks segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Business

We are a premier provider of specialized and sustainable material solutions that transform customer challenges into opportunities, bringing new products to life for a better world. Our products include specialty engineered materials, advanced composites, color and additive systems and polymer distribution. We are also a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants, and fluoropolymer and silicone colorants. Headquartered in Avon Lake, Ohio, we have employees at sales, manufacturing and distribution facilities across the globe. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain capabilities to provide value-added solutions to designers, assemblers and processors of plastics. When used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," "Avient" and the "Company" mean Avient Corporation, formerly known as PolyOne Corporation, and its consolidated subsidiaries.

Highlights and Executive Summary

A summary of Avient's sales, operating income, net income and net income attributable to Avient common shareholders follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
Sales	$ 1,235.2	$ 609.1	$ 2,397.5	$ 1,320.6
Operating income	108.1	38.0	228.5	90.8
Net income from continuing operations	69.4	23.4	149.1	56.5
Income (loss) from discontinued operations, net of income taxes	—	(0.2)	—	(0.5)
Net income	$ 69.4	$ 23.2	$ 149.1	$ 56.0
Net income attributable to Avient common shareholders	$ 68.8	$ 22.8	$ 148.1	$ 55.6

Trends and Developments

COVID-19

We have continued to closely monitor the impact of the COVID-19 pandemic on all aspects of our business, including how it has impacted our employees, customers, supply chain and distribution network. While our business was adversely affected by the COVID-19 pandemic in 2020, we have seen recovery through the second quarter of 2021. The scope and duration of the pandemic continues to be uncertain, and evolving factors such as the level and timing of vaccine distribution across the world and the extent of any resurgences of the virus or emergence of new variants will impact the stability of the economic recovery and growth. The extent to which our operations may be adversely impacted by the COVID-19 pandemic will depend largely on these future developments, which are highly uncertain and cannot be accurately predicted. For further information regarding the impact that COVID-19 could have on our business, see Part I – Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2020.

Clariant MB Acquisition

On July 1, 2020, the Company completed the Clariant MB Acquisition. The Clariant MB Acquisition increased the Company's scale, product depth and geographic reach in its Color, Additives and Inks segment. Clariant MB has leading portfolios of solid and liquid masterbatches that include sustainable solutions for alternative energy, and reduced material requirements for packaging and light weighting.

Total consideration paid by the Company to complete the Clariant MB Acquisition was $1.4 billion, net of cash and debt acquired. To finance the purchase of Clariant MB, the Company used $496.1 million in net proceeds from the issuance of common shares in an underwritten public offering completed in February 2020 and $640.5 million in net proceeds from a senior unsecured notes offering completed in May 2020, and funded the balance using the net proceeds of the October 2019 sale of our Performance Products and Solutions business segment (PP&S). We finalized the purchase accounting for the Clariant MB Acquisition as of June 30, 2021. For details related to the effects of adjustments recognized in the current reporting period, refer to Note 2*, Business Combinations* to the accompanying condensed consolidated financial statements.

Results of Operations — *The three and six months ended June 30, 2021 compared to three and six months ended June 30, 2020:*

	Three Months Ended June 30,		Variances — Favorable (Unfavorable)		Six Months Ended June 30,		Variances — Favorable (Unfavorable)	
(Dollars in millions, except per share data)	**2021**	**2020**	**Change**	**% Change**	**2021**	**2020**	**Change**	**% Change**
Sales	$ 1,235.2	$ 609.1	$ 626.1	103 %	$ 2,397.5	$ 1,320.6	$ 1,076.9	82 %
Cost of sales	946.5	459.4	(487.1)	(106)%	1,806.4	999.4	(807.0)	(81)%
Gross margin	288.7	149.7	139.0	93 %	591.1	321.2	269.9	84 %
Selling and administrative expense	180.6	111.7	(68.9)	(62)%	362.6	230.4	(132.2)	(57)%
Operating income	108.1	38.0	70.1	184 %	228.5	90.8	137.7	152 %
Interest expense, net	(19.5)	(16.2)	(3.3)	(20)%	(38.8)	(25.6)	(13.2)	(52)%
Other income, net	1.2	9.5	(8.3)	nm	2.7	11.1	(8.4)	nm
Income from continuing operations before income taxes	89.8	31.3	58.5	187 %	192.4	76.3	116.1	152 %
Income tax expense	(20.4)	(7.9)	(12.5)	(158)%	(43.3)	(19.8)	(23.5)	(119)%
Net income from continuing operations	69.4	23.4	46.0	197 %	149.1	56.5	92.6	164 %
Loss from discontinued operations, net of income taxes	—	(0.2)	0.2	nm	—	(0.5)	0.5	nm
Net income	69.4	23.2	46.2	199 %	149.1	56.0	93.1	166 %
Net income attributable to noncontrolling interests	(0.6)	(0.4)	(0.2)	nm	(1.0)	(0.4)	(0.6)	nm
Net income attributable to Avient common shareholders	$ 68.8	$ 22.8	$ 46.0	202 %	$ 148.1	$ 55.6	$ 92.5	166 %
Earnings per share attributable to Avient common shareholders - Basic:								
Continuing operations	$ 0.75	$ 0.25			$ 1.62	$ 0.63		
Discontinued operations	—	—			—	—		
Total	$ 0.75	$ 0.25			$ 1.62	$ 0.63		
Earnings (loss) per share attributable to Avient common shareholders - Diluted:								
Continuing operations	$ 0.74	$ 0.25			$ 1.60	$ 0.63		
Discontinued operations	—	—			—	(0.01)		
Total	$ 0.74	$ 0.25			$ 1.60	$ 0.62		

nm - not meaningful

Sales

Sales increased $626.1 million and $1,076.9 million in the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, respectively, as a result of the Clariant MB Acquisition as well as demand recovery in many end markets and price increases associated with raw material inflation.

Cost of sales

Cost of sales increased from 75.4% as a percentage of sales in the three months ended June 30, 2020 to 76.6% in the three months ended June 30, 2021 as a result of rising raw material costs partially offset by improved mix. Cost of sales decreased from 75.7% as a percentage of sales in the six months ended June 30, 2020 to 75.3% in the six months ended June 30, 2021 as a result of improved mix.

Selling and administrative expense

Selling and administrative expense increased $68.9 million and $132.2 million during the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, respectively, driven primarily by the Clariant MB Acquisition.

Interest expense, net

Interest expense, net, increased $3.3 million and $13.2 million during the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, respectively, due to higher interest expense related to our senior unsecured notes offering completed in May 2020.

Income taxes

During the three and six months ended June 30, 2021, the Company's effective tax rate was 22.6% and 22.5%, respectively, compared to 25.1% and 25.9% for the three and six months ended June 30, 2020, respectively. The income tax rate decrease is primarily due to a lower tax effect of GILTI tax, lower tax impact on withholding tax associated with the future repatriation of certain current year foreign earnings, lower valuation allowance expense, favorable comparable benefits of a tax rate change and favorable prior year foreign return-to-provision adjustments. Partially offsetting these favorable effects was a more favorable foreign effective tax rate in 2020 compared to 2021 and a higher impact of state income taxes in 2021.

SEGMENT INFORMATION

Avient has three reportable segments: (1) Color, Additives and Inks; (2) Specialty Engineered Materials; and (3) Distribution. Operating income is the primary measure that is reported to our chief operating decision maker (CODM) for purposes of allocating resources to the segments and assessing their performance.

Sales and Operating Income — *The three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020*:

	Three Months Ended June 30,		Variances — Favorable (Unfavorable)		Six Months Ended June 30,		Variances — Favorable (Unfavorable)	
(Dollars in millions)	**2021**	**2020**	**Change**	**% Change**	**2021**	**2020**	**Change**	**% Change**
Sales:								
Color, Additives and Inks	$ 624.4	$ 226.8	$ 397.6	175 %	$ 1,233.7	$ 483.3	$ 750.4	155 %
Specialty Engineered Materials	240.6	158.8	81.8	52 %	457.1	344.1	113.0	33 %
Distribution	404.4	238.8	165.6	69 %	767.1	528.3	238.8	45 %
Corporate and eliminations	(34.2)	(15.3)	(18.9)	(124)%	(60.4)	(35.1)	(25.3)	(72)%
Total Sales	$ 1,235.2	$ 609.1	$ 626.1	103 %	$ 2,397.5	$ 1,320.6	$ 1,076.9	82 %
Operating income:								
Color, Additives and Inks	$ 86.3	$ 32.3	$ 54.0	167 %	$ 175.1	$ 72.8	$ 102.3	141 %
Specialty Engineered Materials	37.3	17.0	20.3	119 %	71.5	39.3	32.2	82 %
Distribution	23.7	14.6	9.1	62 %	47.7	34.0	13.7	40 %
Corporate and eliminations	(39.2)	(25.9)	(13.3)	(51)%	(65.8)	(55.3)	(10.5)	(19)%
Total Operating Income	$ 108.1	$ 38.0	$ 70.1	184 %	$ 228.5	$ 90.8	$ 137.7	152 %
Operating income as a percentage of sales:								
Color, Additives and Inks	13.8 %	14.2 %	(0.4)	% points	14.2 %	15.1 %	(0.9)	% points
Specialty Engineered Materials	15.5 %	10.7 %	4.8	% points	15.6 %	11.4 %	4.2	% points
Distribution	5.9 %	6.1 %	(0.2)	% points	6.2 %	6.4 %	(0.2)	% points
Total	8.8 %	6.2 %	2.6	% points	9.5 %	6.9 %	2.6	% points

Color, Additives and Inks

Sales increased $397.6 million and $750.4 million in the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, respectively. These increases were driven primarily by the Clariant MB Acquisition, as well as demand recovery in many end markets.

On a pro forma basis to include Clariant MB in all periods, sales increased by $136.5 million in the three months ended June 30, 2021, compared to the three months ended June 30, 2020 as a result of demand recovery in many end markets, particularly consumer, transportation, and industrial as well as price increases. On a pro forma basis to include Clariant MB in all periods, sales increased by $209.9 million, or 21%, in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 as a result of demand recovery in many end markets, particularly consumer, transportation, and industrial, and price increases.

Operating income increased $54.0 million and $102.3 million in the three and six months ended June 30, 2021 as compared to the three and six months ended June 30, 2020, respectively. These increases were driven primarily by the Clariant MB Acquisition, as well as demand recovery in many end markets.

On a pro forma basis to include Clariant MB in all periods, operating income increased by 57% and 48% in the three and six months ended June 30, 2021, compared to the three and months ended June 30, 2020, respectively, as a result of the sales growth discussed above and capture of integration synergies, partially offset by raw material and conversion cost inflation.

Specialty Engineered Materials

Sales increased $81.8 million and $113.0 million in the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, respectively, largely driven by high demand for composite materials and recovery in many end markets.

Operating income increased $20.3 million and $32.2 million in the three and six months ended June 30, 2021 as compared to the three and six months ended June 30, 2020, respectively, due to the increased sales and continued growth of higher margin specialty and composite solutions.

Distribution

Sales increased $165.6 million and $238.8 million in the three and six months ended June 30, 2021, respectively, as compared to the three and six months ended June 30, 2020, driven by increased demand as well as inflation.

Operating income increased $9.1 million and $13.7 million in the three and six months ended June 30, 2021 as compared to the three and six months ended June 30, 2020 largely driven by increased demand.

Corporate and Eliminations

Operating income increased $13.3 million, or 51%, in the three months ended June 30, 2021 as compared to the three months ended June 30, 2020 and $10.5 million, or 19%, in the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 due to higher environmental remediation costs, partially offset by lower acquisition related and restructuring expense.

Liquidity and Capital Resources

Our objective is to finance our business through operating cash flow and an appropriate mix of debt and equity. By laddering the maturity structure, we avoid concentrations of debt maturities, reducing liquidity risk. We may from time to time seek to retire or purchase our outstanding debt with cash and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. We may also seek to repurchase our outstanding common shares. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved have been and may continue to be material.

The following table summarizes our liquidity as of June 30, 2021 and December 31, 2020:

(In millions)	As of June 30, 2021	As of December 31, 2020
Cash and cash equivalents	$ 616.2	$ 649.5
Revolving credit availability	351.6	279.9
Liquidity	$ 967.8	$ 929.4

As of June 30, 2021, approximately 80% of the Company’s cash and cash equivalents resided outside the United States.

Expected sources of cash needed to satisfy cash requirements for the remainder 2021 include our cash on hand, cash from operations and available liquidity under our revolving credit facility, if needed. Expected uses of cash for the remainder of 2021 include the acquisition of Magna Colours Ltd., integration costs related to the Clariant MB Acquisition, interest payments, cash taxes, dividend payments, share repurchases, environmental remediation costs, capital expenditures and debt repayment.

Cash Flows

The following describes the significant components of cash flows from operating, investing and financing activities for the six months ended June 30, 2021 and 2020.

Operating Activities **—** In the six months ended June 30, 2021, net cash provided by operating activities was $68.1 million as compared to net cash provided by operating activities of $76.0 million for the six months ended June 30, 2020, driven by increased working capital requirements to meet demand and no earnout liabilities paid during the six months ended June 30, 2021.

Investing Activities **—** Net cash used by investing activities during the six months ended June 30, 2021 of $44.1 million primarily reflects capital expenditures of $42.1 million.

Net cash used by investing activities during the six months ended June 30, 2020 of $9.0 million primarily reflects capital expenditures of $21.3 million, partially offset by the receipt of the working capital settlement of $7.1 million related to the PP&S divestiture, and $5.2 million cash proceeds from other assets.

Financing Activities **—** Net cash used by financing activities for the six months ended June 30, 2021 of $51.6 million primarily reflects $38.8 million of dividends paid, repurchases of our outstanding common shares of $4.2 million, and the payment of withholding tax on share awards of $4.2 million.

Net cash provided by financing activities for the six months ended June 30, 2020 of $1,049.8 million primarily reflects $496.1 million of net proceeds received from the issuance of common shares in an underwritten public offering that we completed in February 2020, and $640.8 million of net proceeds from the senior secured notes offering completed in May 2020, offset by $34.3 million of dividends paid, repurchases of our outstanding common shares of $13.6 million, and the payment of the Fiber-Line acquisition date earnout liability of $32.9 million.

Debt

As of June 30, 2021, our principal amount of debt totaled $1,887.8 million. Aggregate maturities of the principal amount of debt for the current year, next four years and thereafter, are as follows:

(In millions)		
2021	$	16.0
2022		8.5
2023		608.6
2024		8.6
2025		658.7
Thereafter		587.4
Aggregate maturities	$	1,887.8

As of June 30, 2021, we were in compliance with all customary financial and restrictive covenants pertaining to our debt. For additional information regarding our debt, please see Note 8, *Financing Arrangements* to the accompanying condensed consolidated financial statements.

Derivatives and Hedging

We are exposed to market risks, such as changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures we may enter into various derivative transactions. For additional information regarding our derivative instruments, please see Note 11, *Derivatives and Hedging* to the accompanying condensed consolidated financial statements.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, operating leases, pension and post-retirement benefit plans and purchase obligations. During the six months ended June 30, 2021, there were no material changes to these obligations as reported in our Annual Report on Form 10-K for the year ended December 31, 2020.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

In this Quarterly Report on Form 10-Q, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as "will," “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning in connection with any discussion of future operating or financial condition, performance and/or sales. In particular, these include statements relating to future actions; prospective changes in raw material costs, product pricing or product demand; future performance; estimated capital expenditures; results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings and environmental liabilities; and financial results. Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

- disruptions, uncertainty or volatility in the credit markets that could adversely impact the availability of credit already arranged and the availability and cost of credit in the future;
- the effect on foreign operations of currency fluctuations, tariffs and other political, economic and regulatory risks;
- the current and potential future impact of the COVID-19 pandemic on our business, results of operations, financial position or cash flows, including without limitation, any supply chain and logistics issues;
- changes in polymer consumption growth rates and laws and regulations regarding plastics in jurisdictions where we conduct business;
- fluctuations in raw material prices, quality and supply, and in energy prices and supply;
- production outages or material costs associated with scheduled or unscheduled maintenance programs;
- unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters;
- an inability to achieve the anticipated financial benefit from initiatives related to acquisition and integration working capital reductions, cost reductions and employee productivity goals;
- our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;
- information systems failures and cyberattacks;
- our ability to consummate and successfully integrate acquisitions;
- amounts for cash and non-cash charges related to restructuring plans that may differ from original estimates, including because of timing changes associated with the underlying actions; and
- other factors described in our Annual Report on Form 10-K for the year ended December 31, 2020 under Item 1A, “Risk Factors.”

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. You are advised, however, to consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K filed with the Securities and Exchange Commission. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to exposures to market risk as reported in our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Avient’s management, under the supervision of and with the participation of its Chief Executive Officer and its Chief Financial Officer, has evaluated the effectiveness of the design and operation of Avient’s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report. Based upon this evaluation, Avient’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report, its disclosure controls and procedures were effective.

The Company completed the Clariant MB Acquisition on July 1, 2020 and has not yet included Clariant MB in its assessment of the effectiveness of its internal control over financial reporting. The Company is currently integrating Clariant MB into its operations, compliance programs and internal control processes. Accordingly, pursuant to the SEC's general guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment for one year following the acquisition, the scope of our assessment of the effectiveness of our disclosure controls and procedures does not include Clariant MB. Clariant MB constituted approximately 40.5% of the Company's total assets (inclusive of acquired intangible assets) as of June 30, 2021, and approximately 27.4% of the Company's net sales for the six months ended June 30, 2021. Clariant MB will be included in our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2021.

Changes in internal control over financial reporting

There were no changes in Avient’s internal control over financial reporting during the quarter ended June 30, 2021 that materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding certain legal proceedings can be found in Note 10, *Commitments and Contingencies* to the accompanying condensed consolidated financial statements and is incorporated by reference herein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth information regarding the repurchase of shares of our common shares during the period indicated.

Period	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program [1]
April 1 to April 30	—	$ —	—	5,757,472
May 1 to May 31	—	—	—	5,757,472
June 1 to June 30	—	—	—	5,757,472
Total	—	$ —	—	

[1] Our Board of Directors approved a common share repurchase program authorizing Avient to purchase its common shares in August 2008, which share repurchase authorization has been subsequently increased from time to time. On December 9, 2020, we announced that we would increase our share buyback by an additional 5 million shares. As of June 30, 2021, approximately 5.8 million shares remained available for purchase under these authorizations, which have no expiration. Purchases of common shares may be made by open market purchases or privately negotiated transactions and may be made pursuant to Rule 10b5-1 plans and accelerated share repurchases.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Exhibit Description
3.1	Amended and Restated Articles of Incorporation of Avient Corporation (as amended through June 30, 2020) (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, SEC File No. 1-16091)
3.2	Amended and Restated Code of Regulations, effective June 30, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, SEC File No. 1-16091)
31.1	Certification of Robert M. Patterson, Chairman, President and Chief Executive Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Jamie A. Beggs, Senior Vice President and Chief Financial Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as signed by Robert M. Patterson, Chairman, President and Chief Executive Officer
32.2	Certification pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as signed by Jamie A. Beggs, Senior Vice President and Chief Financial Officer
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

July 30, 2021	AVIENT CORPORATION
	/s/ Jamie A. Beggs
	Jamie A. Beggs Senior Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Robert M. Patterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avient Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 30, 2021

/s/ Robert M. Patterson

Robert M. Patterson
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Jamie A, Beggs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avient Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 30, 2021

/s/ Jamie A. Beggs

Jamie A. Beggs
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Avient Corporation (the “Company”) for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert M. Patterson, President and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Robert M. Patterson
Robert M. Patterson
Chairman, President and Chief Executive Officer

July 30, 2021

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Avient Corporation (the "Company") for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jamie A. Beggs, Senior Vice President, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Jamie A. Beggs
Jamie A. Beggs
Senior Vice President and Chief Financial Officer

July 30, 2021

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.