



kyndryl™

We design, build, manage and modernize the mission-critical technology systems that the world depends on every day.

**Investor Presentation
October 2021**

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Presenters

Martin Schroeter



Chief Executive Officer

David Wyshner



Chief Financial Officer

Elly Keinan



Group President

Una Pulizzi



Global Head of Corporate Affairs

Antoine Shagoury



Chief Technology Officer

**Kyndryl has unrivaled expertise
in designing, building,
managing and modernizing
complex, mission-critical
information systems**

Kyndryl at a glance



Recognized Industry Leader



Leader: MarketScape: Worldwide Datacenter Transformation Consulting and Integration Services for Applications and Infrastructure Vendor Assessment

2Q 2020



Winner: Top 10: Hyperscaler Cloud Service Providers

Q1 2021



Leader: 2021 Aware (Intelligent) IT Infrastructure Services Automation PEAK Matrix Assessment

Q4 2020



Our Services



Cloud

Delivering seamless, integrated, multicloud management in a hybrid model



Core Enterprise & zCloud

Providing secure, unified and fault-tolerant mainframe services for our customers' core infrastructure



Digital Workplace

Enhances user experience and work location flexibility by providing a consumer experience to employees



Application, Data & AI

Providing full application platform hosting and expert assistance for application modernization



Network & Edge

Provides unified Network Services for cloud and data center connectivity



Security & Resiliency

Delivers full line of cybersecurity, business continuity and disaster recovery services to help customers continuously adapt to new threats and regulatory standards



Our Customers

We work in partnership with thousands of customers, dedicated to ensuring that each achieves its peak digital performance

>4,000
global
customers

Including

of the Fortune 100;
more than half of
the Fortune 500

~75%

We manage vital environments in critical industries



45%

of passenger cars made by our customers



61%

of assets under management at top 50 banks managed by our customers



50%

of the total industry's hypermarket sales



49%

of mobile connections managed by our customers

Kyndryl advances the vital systems that power human progress

Noteworthy facts about Kyndryl



Operations in **63** countries



90,000 employees with
10+ years of experience
on average



750,000 virtual servers and
270,000 network devices
managed



25,000+ SAP and Oracle
systems managed



Managing **vast** mainframe
capacity



Able to process **6 trillion**
instructions each second
(equal to next 15 providers
combined)



9 million automated actions
per month



4 million backup jobs
completed daily



2 million terabytes of storage

As digitization continues, Kyndryl solves critical customer technology issues with a comprehensive suite of capabilities

As companies play catch up	Growing risk requires increased security	Top challenge: IT infrastructure	Barriers to transformation: Complexity & skills shortages
<p>1/2</p> <p><i>of all companies are just starting their digitization journeys</i></p>	<p>1/3</p> <p><i>of CEOs will increase security investments by double digits</i></p>	<p>62%</p> <p><i>of CEOs at out-performing companies say IT infrastructure is their biggest challenge</i></p>	<p>Top 3</p> <p><i>impediment to successful IT transformation is lack of skills</i></p>

kyndryl accelerates customer digitization and makes the complex simple

- Drives transformation and agility**
- Maintains business continuity and reduces operational risk**
- Increases operational efficiency**
- Enables workload portability and orchestration**
- Capitalizes on pace of technology change**

Investment highlights



- ✓ Separation more than doubles our addressable market from \$240 billion pre-spin to \$510 billion by 2024, with market growth driven by numerous interrelated tailwinds
- ✓ World leader in designing, building, managing and modernizing mission-critical information systems spanning the digital transformation journey
- ✓ Competitive advantage stems from our people, data and intellectual property
- ✓ Trusted long-term partner to over 4,000 blue-chip customers, including 75% of the Fortune 100
- ✓ New freedom to invest for growth while expanding our ecosystem of strategic partners and service capabilities, enhancing customers' access to a wider range of technology solutions
- ✓ Strong financial characteristics with \$19 billion in annuity-like annual revenues, ~15% adjusted EBITDA margins and investment-grade credit ratings
- ✓ Focused, growth-oriented culture, committed to high ESG standards and led by a highly experienced executive team

Strong commitment to ESG principles

Environmental



- Continue and expand our renewable energy objectives
 - In 2020, over 60% of the electricity consumed in data centers came from renewable sources, up more than 10 points year-over-year
- Establish stand-alone renewable electricity and greenhouse gas emissions reduction targets
- Invest in technology to drive reduction for customers

Commitment to carbon footprint reduction

Social



- Make a positive impact on society through our operations and practices
- Diversity & inclusion
 - Leadership team
 - Workforce
 - Board – exceeding S&P 500 average
- Human capital / talent management
- User & data privacy
- Corporate social responsibility

Continuing IBM's decades-long leadership in corporate diversity & inclusion

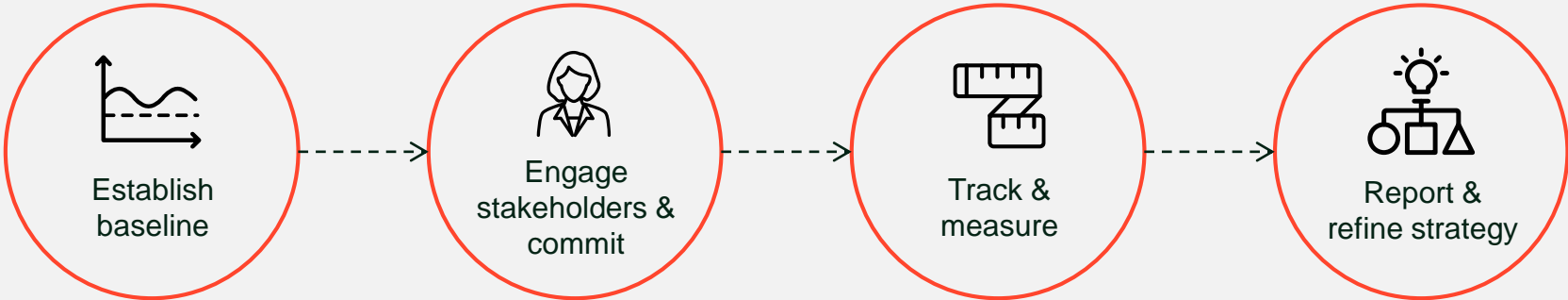
Governance



- Management incentives aligned with shareholders
- Ethics, corporate behavior and compliance
- Diverse, experienced Board of Directors

Commitment to operating with ethics and integrity

Led by a cross-functional, dedicated team



World-class Board with strong global experience leading some of world's largest organizations

Board of Directors



Martin Schroeter
Chairman of the Board and
Chief Executive Officer, Kyndryl



Stephen Hester
Lead Independent Director
Former Chief Executive Officer, RSA
Insurance



Dominic Caruso
Former Executive Vice President &
Chief Financial Officer, Johnson &
Johnson



Denis Machuel
Former Chief Executive Officer,
Sodexo



John D. Harris II
Former Vice President of Business
Development, Raytheon International



Rahul Merchant
Senior Executive Vice President and
Head of Client Services &
Technology, TIAA-CREF



Dr. Shirley Ann Jackson
President, Rensselaer Polytechnic
Institute



Jana Schreuder
Former Chief Operating Officer,
Northern Trust Corporation



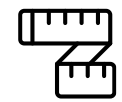
Janina Kugel
Former Chief Human Resources
Officer, Siemens AG



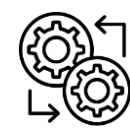
Howard Ungerleider
President and Chief Financial Officer,
Dow



Diverse and
complementary skills



Well-positioned to
drive accountability
and outcomes



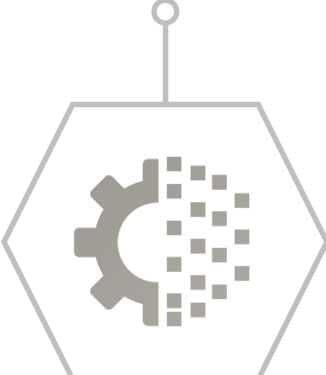
Extensive
transformation
experience

Separation more than doubles our addressable market from \$240 billion pre-spin to \$510 billion by 2024

Large and growing addressable market benefitting from multiple interrelated tailwinds

Greater demand for digital transformation services

~65% of GDP will be digitized by 2022, driving need for services to support modernization of IT within enterprises

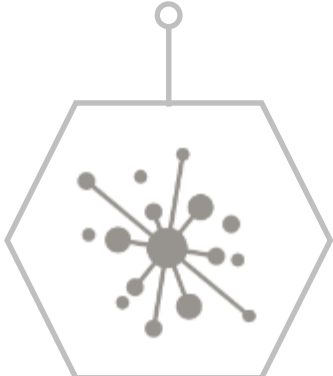


Ongoing migration to cloud

85% of large organizations will have engaged external service providers to migrate applications to the cloud as transitions become more complex

Rapid data growth

Enterprises created and captured an estimated 64 zettabytes of data in 2020, making integration, management, and use of data more complex



Increased need for secure systems

One-third of US CEOs plan to increase investments in cybersecurity by double digits, with 47% of CEOs citing cyber threats as sources of extreme concern to growth prospects

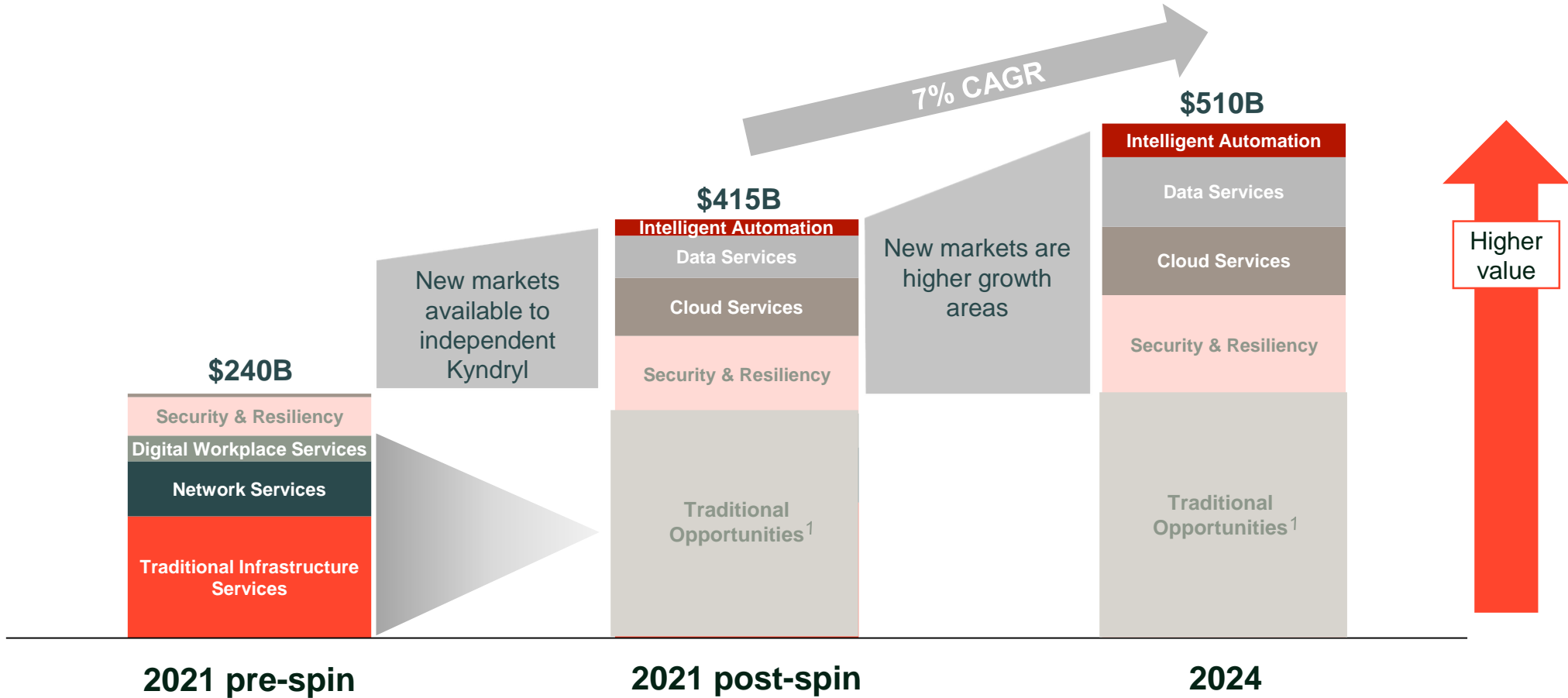
Accelerating pace of technological advancement

Adoption of automation, AI and machine learning will rise as companies look to integrate new technologies into existing IT estates



Kyndryl scale and differentiation provide opportunity to strengthen our leadership in this market

Kyndryl has freedom to extend mission-critical expertise to faster-growing service offerings



Separation unlocks ~\$175 billion in new addressable markets on day one of the spin

¹Traditional opportunities include network services, infrastructure services, and digital workplace services

World leader in designing, building,
managing and modernizing
mission-critical information systems

We derive benefits from being the world's largest IT infrastructure services provider



Unmatched intellectual capital and intellectual property

More than 3,000 issued patents, plus 800 pending



World-class engineering and solutioning expertise, built on insights from running scaled, complex environments

90,000 employees with 10+ years of experience on average



State-of-the-art delivery operations throughout the world

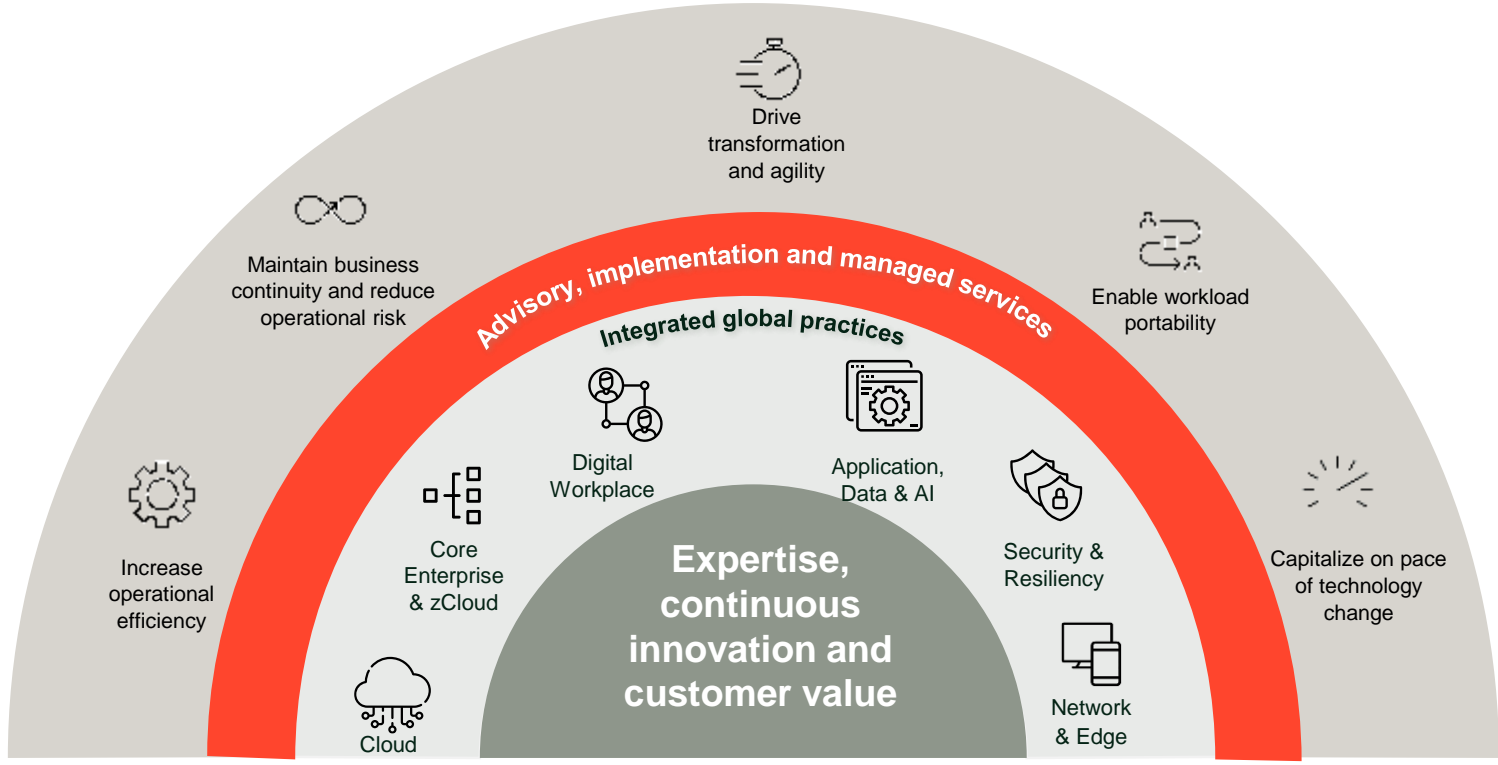
459 managed data centers

Managed Infrastructure and Implementation Services Leaders¹

#	Company	Sector Revenue (B)
1	Kyndryl	\$19.1
2	DXC Technology	9.5
3	Atos	8.8
4	Fujitsu	8.5
5	Accenture	7.5
6	HCL Technologies	5.7
7	Capgemini	5.6
8	Tata Consultancy Services	5.3
9	NTT	5.1
10	Cognizant	4.8

¹ Data source: Gartner Market Share: IT Services 2020 Report

Mission-critical capabilities catering to customers' digital transformation journeys



... built on Kyndryl's

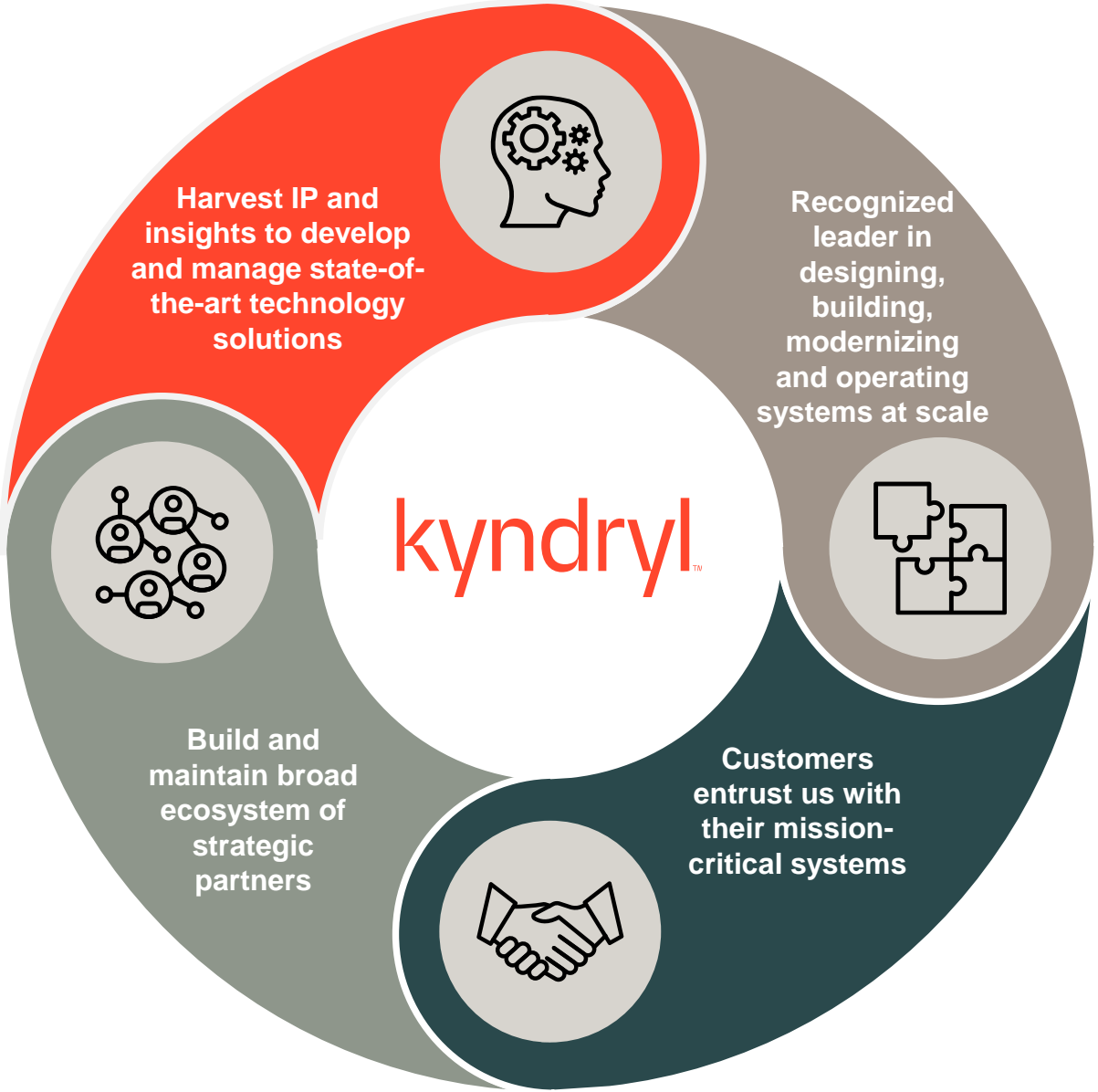
Mission-critical expertise

Operational data and IP

Broad ecosystems

Our solutions and capabilities are the 'hearts and lungs' of our customers' technology stacks

Our strategic flywheel



Elly Keinan

Group President



Competitive advantage stems from our people, data and intellectual property

Continual investment in our people powering world-class customer delivery

96% of Kyndryl employees acquire new skills annually

2.9M hours of training in first half 2021

247K skill badges earned¹

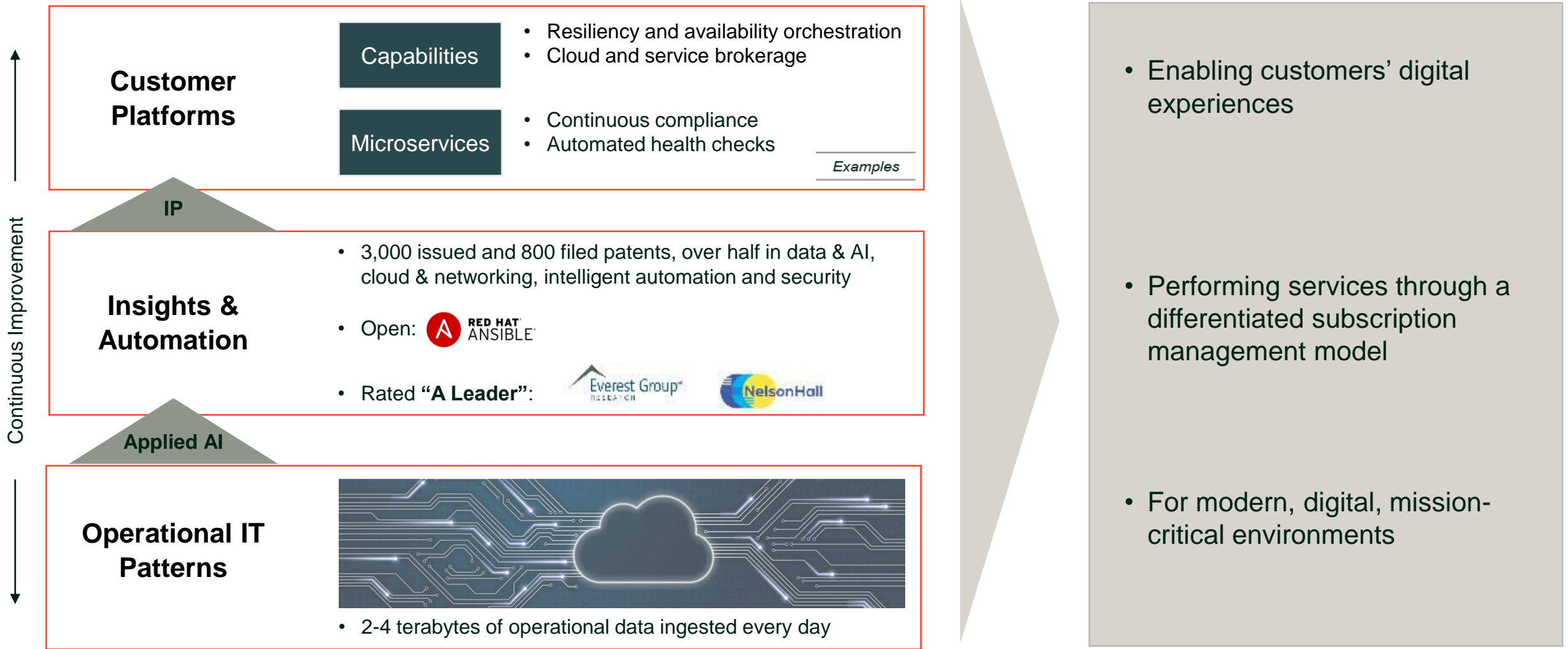
100%+ LTM growth in new cloud certifications

19 customer innovation centers

- Top-quartile NPS scores
- 99.8% attainment across 31,000 service-level agreements
- Recognized service management and integration

Our long-standing ability to attract, develop and retain talent is a critical competitive advantage

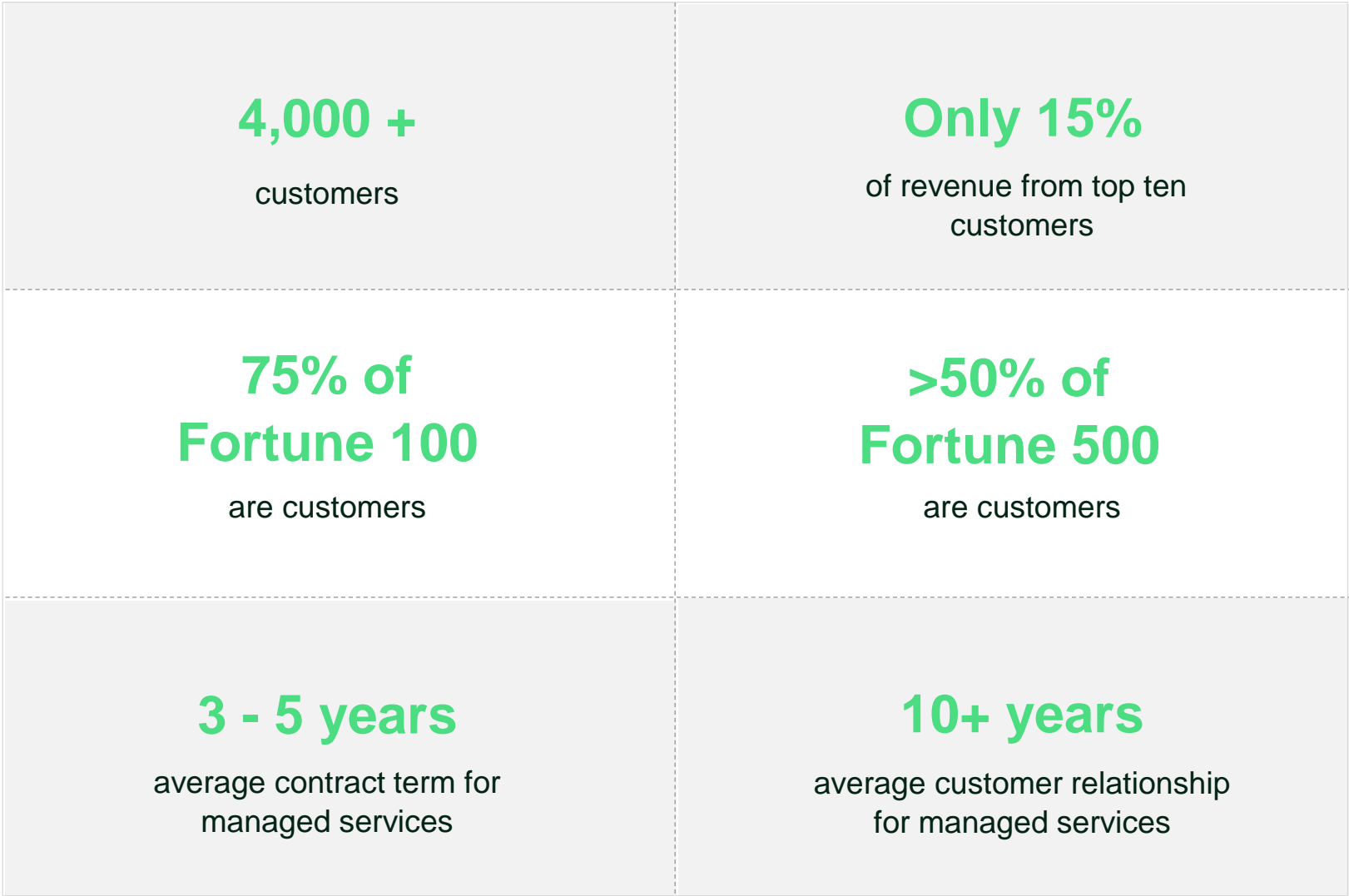
Kyndryl generates unique insights from operational data, which we build into our platform



Our operational data plus applied AI provide insights that reduce complexity and costs, enhance quality, and pre-emptively solve problems before they arise

Trusted long-term partner to over 4,000 blue-chip customers, including 75% of the Fortune 100

Our business is characterized by long-standing customer relationships



Multi-year contracts and long-term customer relationships produce annuity-like revenue streams

Customer example: Digital transformation with public cloud

A major bank in Europe

10-year relationship

2021

Transformation to the cloud

- Kyndryl will enable the migration to a public cloud, offering security, data sovereignty and regulatory compliance to boost the bank's digital capabilities

~2020

Contract extension and expansion

- Addition of public cloud management capabilities, including services for container-based environments

2011

Partnership to manage the IT estate

- Services across a broad set of IT towers including mainframe, distributed, storage, security, end user platform, help desk, infrastructure middleware, database, email, and SAP environments

Today, Kyndryl is the company's **partner**, managing all of the IT infrastructure and serving as the **public cloud integrator**

kyndryl

Our Mission-Critical Role

We manage the core IT infrastructure that enables key functions such as...

Core banking

Bank operations

Customer accounts

Application processing

Benefits

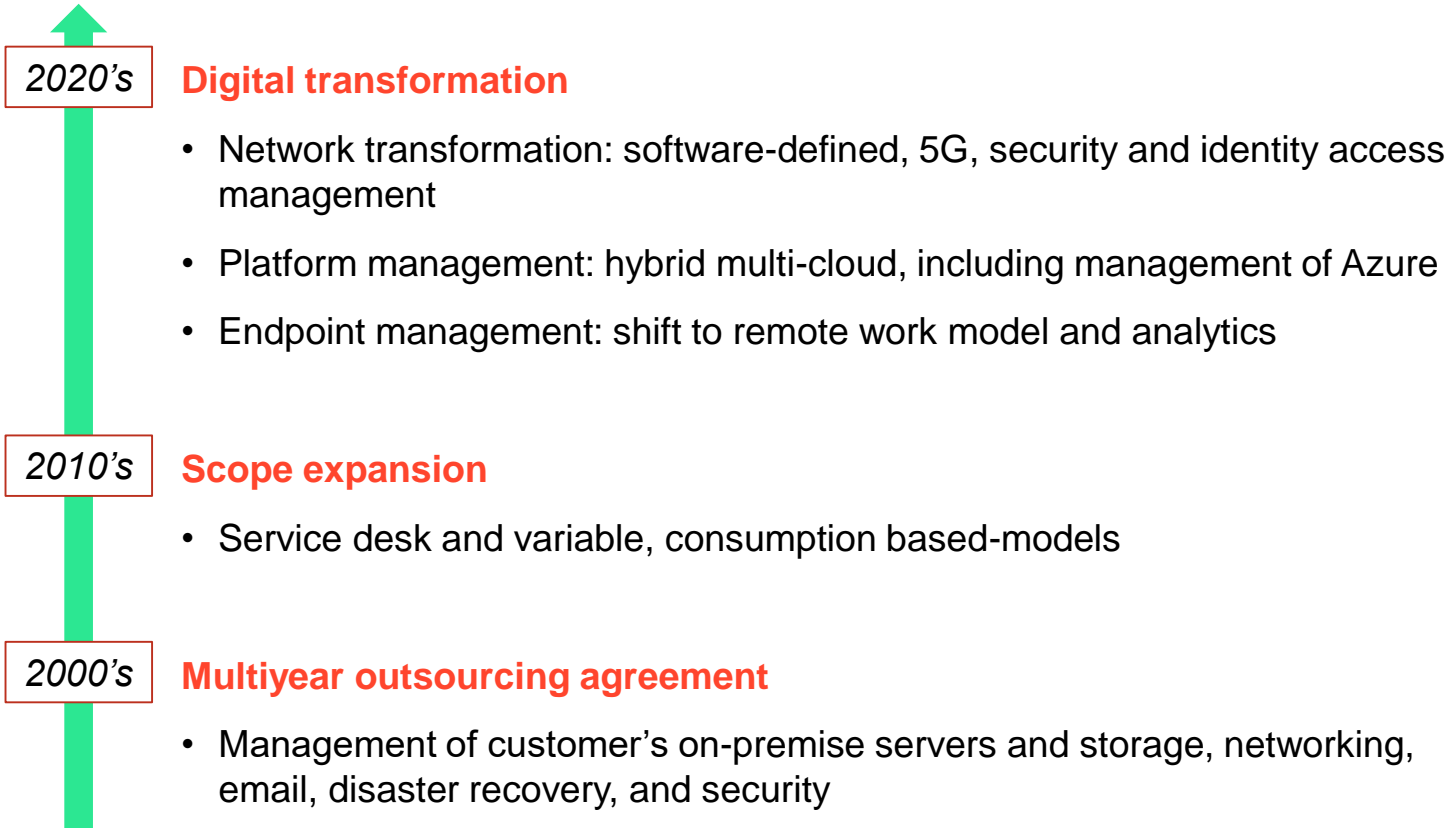
Business growth, expansion, innovation

Financial yield (annual savings)

Customer example: Digital transformation across the enterprise

A Fortune 500 material sciences company in North America

16-year relationship



Today, Kyndryl is the company's **primary partner** for IT infrastructure to support their digital transformation

Our Mission-Critical Role

We operate core systems that enable key functions such as...

Manufacturing & production

Supply chain

Collaboration

Benefits

Increased functionality, flexibility, speed, security

Financial yield (EBITDA, working capital)

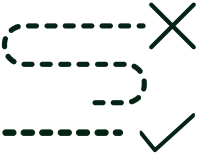
New freedom to invest for growth

Kyndryl's independence brings opportunities for growth

	Legacy GTS	Independent Kyndryl
TAM	Largely focused on IBM ecosystem (\$240B)	Focused on multiple ecosystems, including faster-growing segment, hyperscalers (\$510B, ~2x larger)
Growth Trajectory	Tied to IBM's growth	Opportunity to grow with or above technology market growth rates
Service Offerings	Concentrated in traditional infrastructure services	Opportunities to expand capabilities in digital transformation, data, applications and security services
Partner Alignment	Primarily IBM	Partner to hyperscalers, systems integrators, hardware and software providers, and next-gen technology providers
Organic Investment	Limited and focused on IBM technology	Investment in broader services and capabilities
Inorganic Investment	None since 2016	Flexibility to pursue M&A
Capital Intensity	High	Reducing capital intensity with increased focus on public cloud ecosystem

Kyndryl will have the freedom to partner and invest across a broader ecosystem

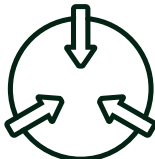
Kyndryl's independence brings opportunities to operate differently



Speed through simplification



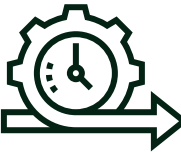
Flat, fast and focused culture delivering world-class service quality



Effectiveness through integration



Six global practices and a connected advisory and implementation services business



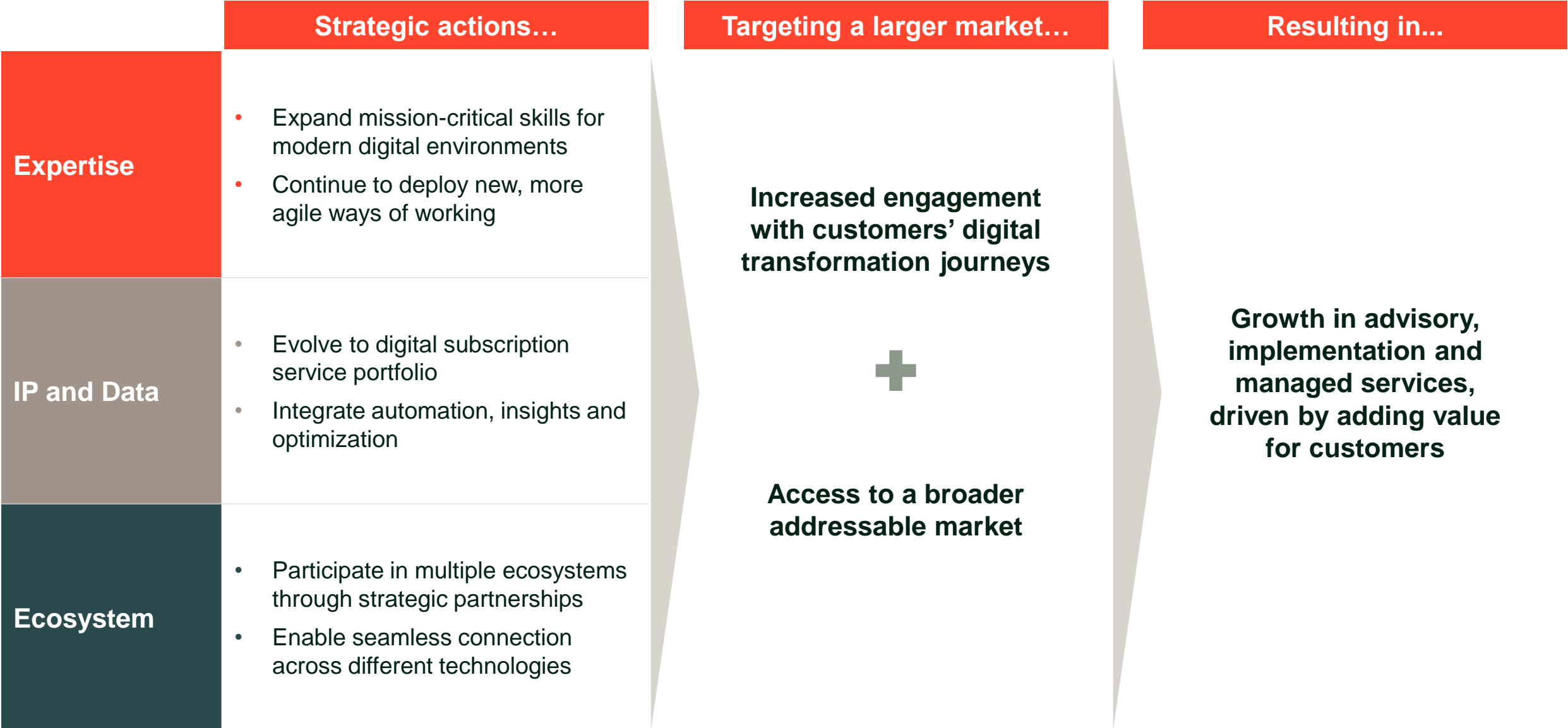
Innovation through agility



Portfolio of modular, composable capabilities

Kyndryl will become fundamentally different from IBM's GTS business

Our capabilities, focused strategy and new agility will drive enhanced growth



David Wyshner

Chief Financial Officer



Strong financial characteristics with \$19 billion in annuity-like annual revenues in 2020, ~15% adjusted EBITDA margins and investment-grade credit ratings

Spin logistics

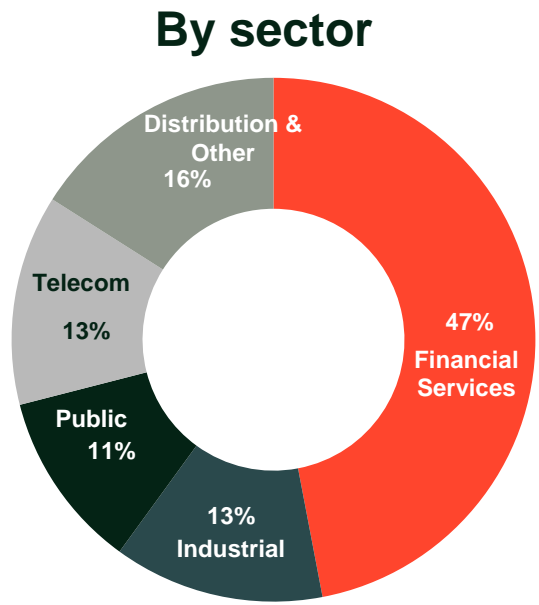
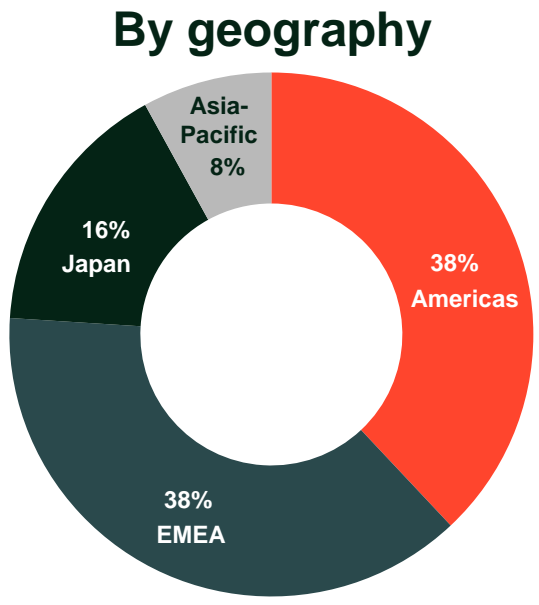
Distribution Date	November 3 rd (after market close)
Regular-Way Trading Begins	November 4 th
Distribution Ratio	One Kyndryl share for every five IBM shares held
Expected Kyndryl Shares Outstanding Post-Spin	Approximately 224 million
Expected Tax Treatment	Tax-free to IBM and to shareholders for U.S. federal tax purposes
Exchange / Ticker	NYSE: KD
Retained Interest	IBM will temporarily retain 19.9% of the post-spin equity of Kyndryl

Investment-grade balance sheet with strong financial characteristics

<p>\$19.1B Annual pro forma revenues (2020)</p>	<p>\$5.2B Available liquidity²</p>
<p>~15% Adjusted EBITDA margin¹</p>	<p>\$2.0B Post-spin cash balance</p>
<p>\$0.8B Average annual cash flow from operations (2018-20)</p>	<p>Late 2024 Earliest debt maturity</p>

¹ See appendix for reconciliation of non-GAAP metrics
² Consists of \$2.0 billion of pro forma cash and \$3.2 billion undrawn senior unsecured credit facility

Diversified sources produce annuity-like revenue streams

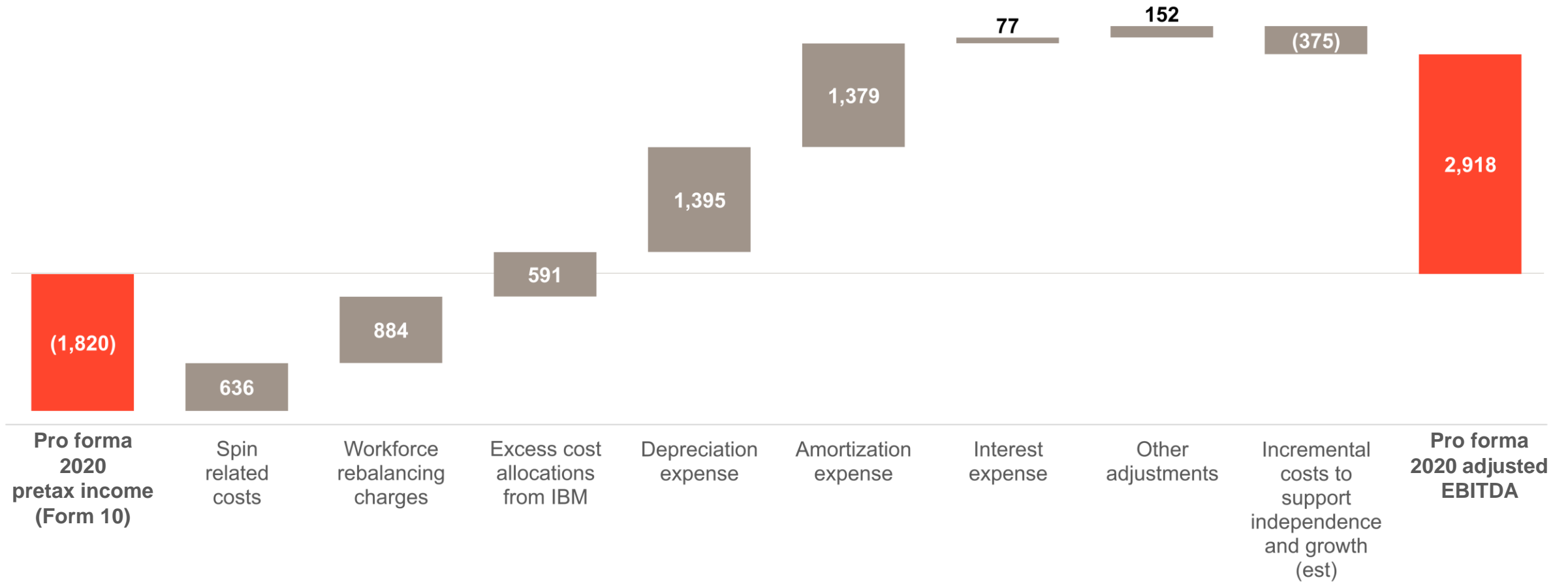


2020 pro forma revenue: \$19.1 billion

We typically begin each year with ~85% of our expected revenues under contract

Pro forma adjusted EBITDA

(\$ in millions)

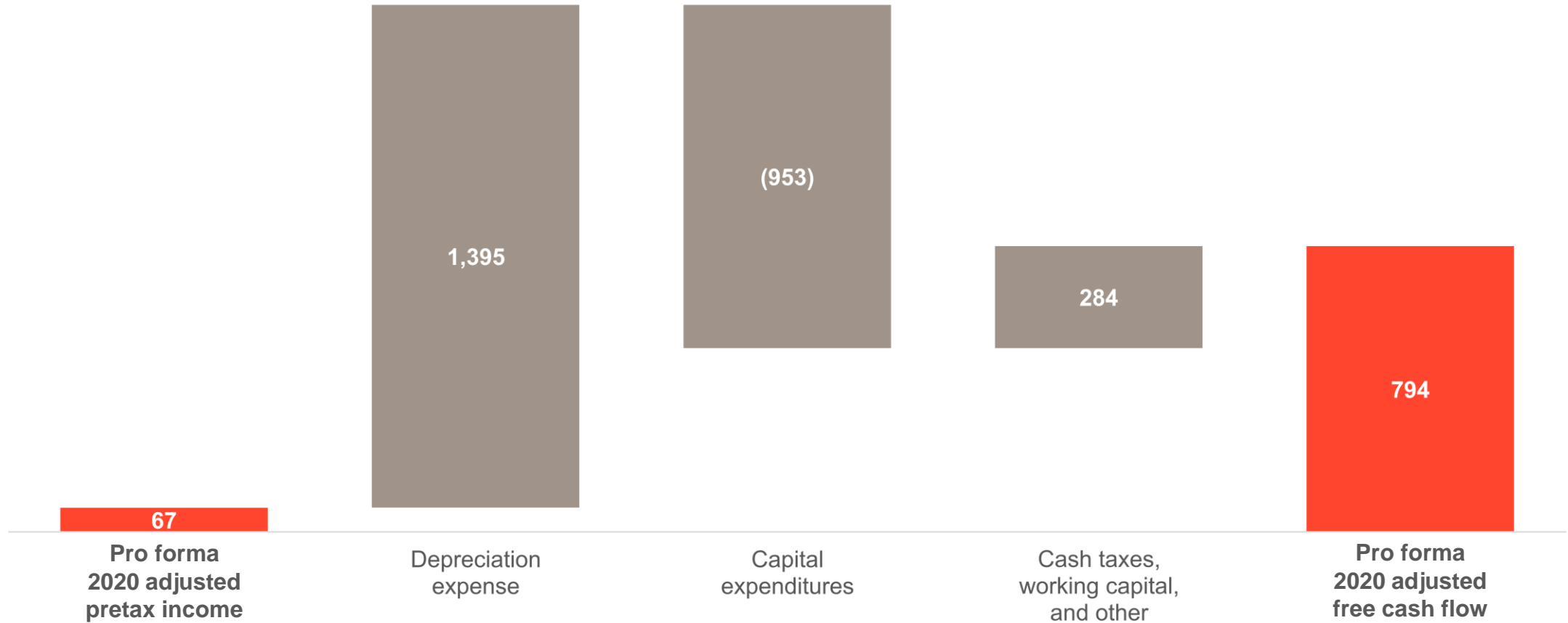


Our pro forma adjusted EBITDA margin was 15% in 2020

See appendix for reconciliation of non-GAAP metrics

Pro forma adjusted free cash flow

(\$ in millions)



Capital expenditures are less than depreciation expense as we become asset-light over time

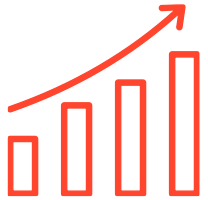
Pro forma adjusted pretax income excludes separation-related costs and workforce rebalancing
See appendix for reconciliation of non-GAAP metrics

2021 outlook

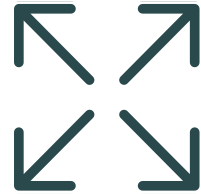
	2020 Pro Forma	2021E Pro Forma
	(in millions)	(in billions)
Revenue	\$19,096	\$18.5 – 18.7
Growth, in constant currency	(6%) ¹	(6%) – (5%)
Adjusted EBITDA	\$2,918	\$2.8 – 2.9
Adjusted EBITDA margin	15.3%	15.0% – 15.7%
Adjusted pretax income	\$67	\$0.1 – 0.2
Adjusted pretax margin	0.4%	0.5% – 1.1%
Capital expenditures, net	\$953	\$0.8 – 0.9

Our adjusted EBITDA margin is roughly 15%

Core financial objectives



**Stabilize,
then grow
revenues**



Expand margins



**Re-invest in our
business to
generate strong
returns**



**Maintain and
strengthen
investment-grade
credit profile**

Expect to drive strategic progress over the next three years

Revenue growth and margin expansion opportunities

		Revenue	Margin
Pivot to growth	• Invest in sales and skills, especially cloud-related	✓ ✓	
	• Increase higher-margin value-add advisory and implementation volumes	✓	✓ ✓
	• Grow data services, applications and edge practices	✓	✓
	• Grow cybersecurity and resiliency volumes	✓	✓
	• Expand 'share of IT wallet' with existing customers	✓ ✓	✓
Optimize our business	• Pricing and portfolio optimization, particularly for low-margin contracts	✓	✓ ✓
	• Cost optimization		✓ ✓
Transform our business model	• Expand technology ecosystem and range of solutions offered	✓ ✓	✓
	• Intelligent automation in delivery		✓ ✓
	• Transition to increasingly asset-light operating model		✓

We see substantial opportunity to strengthen our revenue trajectory and margin profile over the next three years and expect to demonstrate revenue growth in 2025

Future revenue and margin milestones

	Current	Near-Term	Medium-Term
Pivot to growth	20% of employees have cloud-related certifications	Extensive training of employees, leveraging new partnerships	50% of employees have cloud-related certifications
	Limited share in applications, security, cloud and data services	Expanded training and partnerships	Industry-recognized leadership in numerous categories
	Advisory & implementation services represent ~10% of revenue	Heightened focus on higher-margin consulting revenues	Advisory & implementation services represent 15%+ of revenue
Optimize our business	60% of data-center electricity from renewable sources	Continued expansion of renewable energy sources	75%+ of data-center electricity from renewable sources
	25% of processes automated	Relentless emphasis on intelligent automation	50%+ of processes automated
Transform our business model	Limited partnerships with hyperscalers, ISVs, and systems integrators	Enter into important, new relationships	Extensive, integrated IT ecosystem
	Revenues declining mid-single-digits	Increase signings	Positive revenue growth
	~15% Adjusted EBITDA margins	Drive margins through business mix, geographic mix, automation pricing and cost control	High-teens Adjusted EBITDA margins

Key financial attributes

Liquidity

- Approximately \$2 billion of cash at close
- Committed \$3 billion five-year undrawn credit facility
- Cash flow from operations

Capitalization

- Investment-grade credit rating
- \$1.2 billion of net debt at spin – net leverage of 0.4x¹
- Well-laddered debt limits refinancing risk while providing opportunity for debt paydown

Capital allocation










- Top priorities are maintaining strong liquidity, retaining investment-grade ratings and re-investing in our business
- Cash flow expected to be used for business-model strengthening and net debt reduction
- Will consider acquisitions and investments, but with heavy focus on remaining investment-grade
- We do not anticipate having excess cash available to distribute to shareholders at this time
- Therefore, no dividends or share repurchases expected in the near term

**Committed to investment-grade credit rating with sound capital structure,
providing flexibility for future investment**

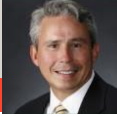




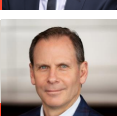
Focused, growth-oriented culture, led by highly experienced executive team

Highly experienced leadership team


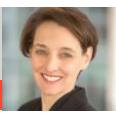


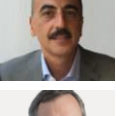

from IBM

Nel Akoth Chief Transformation Officer	
Gonzalo Escajadillo Strategic Solutions	
Harish Grama Cloud Services	
Stephen Leonard Global Alliances	
Leigh Price Strategy & Corporate Development	
Jamie Rutledge Core Enterprise & zCloud Services	
Edward Sebold General Counsel	
Mark Slaga Digital Workplace Services	
Maria Winans Chief Marketing Officer	

from external, with IBM experience

Michael Bradshaw Chief Information Officer	
Harsh Chugh Chief Operations Officer	
Elly Keinan Group President	
Kris Lovejoy Security & Resiliency Services	
Nicolas Sekkaki Applications, Data & AI Services	
Martin Schroeter Chief Executive Officer	

from external

Vic Bhagat Senior Partner, Advisory Practice	
Maryjo Charbonnier Chief Human Resources Officer	
Una Pulizzi Global Head of Corporate Affairs	
Paul Savill Network & Edge Services	
Antoine Shagoury Chief Technology Officer	
David Wyshner Chief Financial Officer	

Investment highlights

Investment highlights



- ✓ Separation more than doubles our addressable market from \$240 billion pre-spin to \$510 billion by 2024, with market growth driven by numerous interrelated tailwinds
- ✓ World leader in designing, building, managing and modernizing mission-critical information systems spanning the digital transformation journey
- ✓ Competitive advantage stems from our people, data and intellectual property
- ✓ Trusted long-term partner to over 4,000 blue-chip customers, including 75% of the Fortune 100
- ✓ New freedom to invest for growth while expanding our ecosystem of strategic partners and service capabilities, enhancing customers' access to a wider range of technology solutions
- ✓ Strong financial characteristics with \$19 billion in annuity-like annual revenues, ~15% adjusted EBITDA margins and investment-grade credit ratings
- ✓ Focused, growth-oriented culture, committed to high ESG standards and led by a highly experienced executive team

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Appendix

Appendix

- Reconciliation of non-GAAP metrics
- Investment-grade credit profile
- Rationale for the spin-off

Some columns and rows in these materials, including the supplemental exhibits, may not add due to the use of rounded figures

Reconciliation of non-GAAP metrics

Reconciliation of net income to pro forma adjusted pretax income and pro forma adjusted EBITDA

(\$ in millions)

	2020
Historical Net Income / (loss), as reported	(\$2,011)
Plus: Provision for income taxes	246
Income / (loss) before income taxes	(\$1,766)
Pro forma adjustments	
Transaction accounting adjustments	(421)
Autonomous entity adjustments	418
Other adjustments	(51)
Pro forma income / (loss) before income taxes	(\$1,820)
Non-operating adjustments (net of tax)	
Separation-related costs	636
Workforce rebalancing charges	884
Excess costs allocations from IBM	591
Incremental costs to support independence and growth (est)	(375)
Other adjustments	152
Pro forma adjusted pretax income	\$67
<i>Adjusted pretax margin</i>	0.4%
Plus: Interest expense	77
Plus: Depreciation expense	1,395
Plus: Amortization expense	1,379
Pro forma adjusted EBITDA	\$2,918
<i>Pro forma adjusted EBITDA margin</i>	15.3%
Pro forma revenue	\$19,096

Reconciliation of non-GAAP metrics (continued)

Reconciliation of cash flow from operations to pro forma free cash flow and constant currency growth rate (\$ in millions)

	2020
Historical cash flow from operations (GAAP)	\$628
Plus: Workforce rebalancing payments	268
Plus: Pro forma adjustments without workforce rebalancing	(42)
Plus: non-operating adjustments ¹	893
Adjusted pro forma cash flow from operations	\$1,747
Less: Net capital expenditures	(953)
Adjusted pro forma free cash flow	\$794

Calculation of revenue growth in constant currency (\$ in millions)

	2020	2019 ³	Year-over-year revenue growth
Historical revenue (GAAP)	\$19,352	\$20,279	(5%)
Historical revenue growth in constant currency ²			(6%)

¹ Non-operating adjustments remove the GAAP impact of workforce rebalancing charges, additional future growth investments and depreciation expense associated with pro forma adjustments

² Constant currency information compares results between periods as if exchange rates had remained constant period over period. We define constant currency revenues as total revenues excluding the impact of foreign exchange rate movements and use it to determine the constant currency revenue growth on a year-over-year basis. Constant currency revenues are calculated by translating current period revenues using corresponding prior period exchange rates.

³ The period presented was unintentionally mislabeled in a prior version of this presentation and has been corrected in this version.

Investment-grade credit profile

(\$ in millions)

Cash	\$2,013
Debt:	
Revolving credit facility (undrawn)	-
Term loan due 2024	\$500
2.05% notes due 2026	700
2.70% notes due 2028	500
3.15% notes due 2031	650
4.10% notes due 2041	550
Capital leases and other	337
	\$3,237
Net debt	\$1,224
Net leverage¹	0.4x

Rationale for the spin-off

Value through focus: IBM separation into two industry-leading companies creates strategic flexibility and focus to drive shareholder value

- Creates two industry-leading enterprise technology companies with mission-critical portfolios
- Increased clarity and agility of both companies to focus on their respective operating and financial models
- Freedom of companies to partner and invest for enhanced customer outcomes and drive better growth opportunities
- Spin creates new equity currency which allows the use of stock to pursue M&A transactions and tailored compensation programs
- Creates opportunity for improved financial performance for both growth and value investors resulting in increased valuation

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~\$19B
Revenue

#1

**Managed Infrastructure
Services Provider**

IBM (post-spin)

~\$59B
Revenue

#1

Hybrid Cloud Platform