



# Investor Day

November 21, 2024

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# Welcome

Lori Chaitman, Global Head of Investor Relations



# Disclaimers

## Forward-looking statements

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements often contain words such as “aim,” “anticipate,” “believe,” “contemplate,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “opportunity,” “plan,” “position,” “predict,” “project,” “should,” “seek,” “target,” “will,” “would” and other similar words or expressions or the negative thereof or other variations thereon. All statements, other than statements of historical fact, including without limitation, statements concerning the Company’s plans, objectives, goals, beliefs, business strategies, future events, business condition, results of operations, financial position, business outlook and business trends, including without limitation the outlook and financial objectives in this presentation (which does not assume any future acquisitions or divestitures), may be forward-looking statements. These statements do not guarantee future performance and speak only as of November 21, 2024, and the Company assumes no obligation to update its forward-looking statements, except as required by law. Actual outcomes or results may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties which include, among others: failure to attract new customers, retain existing customers or sell additional services to customers; failure to meet growth and productivity objectives; competition; impacts of relationships with critical suppliers and partners; failure to address and adapt to technological developments and trends; inability to attract and retain key personnel and other skilled employees; impact of economic, political, public health and other conditions; damage to the Company’s reputation; inability to accurately estimate the cost of services and the timeline for completion of contracts; service delivery issues; the Company’s ability to successfully manage acquisitions and dispositions, including integration challenges, failure to achieve objectives, the assumption of liabilities and higher debt levels; the impact of our business with government customers; failure of the Company’s intellectual property rights to prevent competitive offerings and the failure of the Company to obtain, retain and extend necessary licenses; the impairment of our goodwill and long-lived assets; risks relating to cybersecurity, data governance and privacy; risks relating to non-compliance with legal and regulatory requirements; adverse effects from tax matters and environmental matters; legal proceedings and investigatory risks and potential indemnification obligations; impact of changes in market liquidity conditions and customer credit risk on receivables; the Company’s pension plans; the impact of currency fluctuations; risks related to the Company’s spin-off; and risks related to the Company’s common stock and the securities market; and other factors described in the “Risk Factors” section of the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2024 filed with the Securities and Exchange Commission (the “SEC”) on May 30, 2024, as such factors may be updated from time to time in the Company’s subsequent filings with the SEC.

## Non-GAAP financial measures

Financial information contained in this presentation includes certain financial measures that are calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting policies in the United States of America (GAAP), such as adjusted EBITDA, adjusted pretax income (loss), adjusted net income (loss), adjusted EPS, adjusted EBITDA margin, adjusted pretax margin, adjusted net margin, net debt, net leverage ratio, adjusted free cash flow and constant currency, which include or exclude certain items from the most directly comparable GAAP financial measure. These non-GAAP measures differ from reported GAAP measures and are intended to illustrate what management believes are relevant period-over-period comparisons and are helpful to investors as an additional tool for further understanding and assessing Kyndryl’s expected ongoing operating performance. Exclusion of items in our non-GAAP presentation should not be considered an inference that these items are unusual, infrequent or non-recurring. Definitions of the non-GAAP measures are included in the appendix of this presentation. A reconciliation of non-GAAP financial measures for historical periods to the most directly comparable GAAP financial measure appears in the appendix to this presentation. Any non-GAAP financial measure used in this presentation is in addition to, and not meant to be considered superior to, or a substitute for, measures prepared in accordance with GAAP. A reconciliation of forward-looking non-GAAP financial information is not included in this presentation because the Company is unable to predict with reasonable certainty some individual components of such reconciliation without unreasonable effort. These items are uncertain, depend on various factors and could have a material impact on future results computed in accordance with GAAP.

In this presentation, projections are based on recent exchange rates as of October 2024, and currency rate fluctuations are not factored into our medium-term or longer-term outlook. Additionally, certain amounts may not add due to the use of rounded numbers; percentages presented are calculated based on the underlying amounts.

## Investor Day agenda

Time	Topic	Speaker
9:00 – 10:40	<b>Welcome</b>	Lori Chaitman, Global Head of Investor Relations
	<b>Driving growth</b>	Martin Schroeter, Chairman and CEO
	<b>Kyndryl's growth opportunities</b>	Elly Keinan, Group President
	▸ Kyndryl Bridge	Jamie Rutledge, Global Head of Delivery
	▸ Kyndryl Consult	Ismail Amla, Global Head of Kyndryl Consult
	▸ Modernization	Petra Goude, Global Practice Leader
	<b>Q&amp;A</b>	
10:40 – 11:00	<b>Break</b>	
11:00 – Noon	<b>Financial outlook</b>	David Wyshner, Chief Financial Officer
	<b>Q&amp;A</b>	
	<b>Closing</b>	Martin Schroeter, Chairman and CEO

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## Driving growth

Martin Schroeter, Chairman and CEO



## What you will hear from us today

### 1 Strong execution

Exceeding expectations on 3A's initiatives

### 2 Leveraging our leadership

Capitalizing on investments in IT infrastructure services

### 3 Accelerating our progress

Now driving revenue growth and margin expansion

### 4 Initiating capital returns

Significant free cash flow will fund share buybacks



Delivering sustainable long-term growth

## Driving growth

### Recognized market leadership

The right strategy, executed ahead of pace

Succeeding in large, attractive markets

Entering a new era of profitable growth

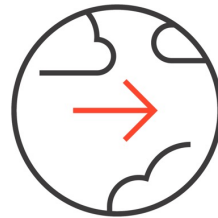


## Who we are

# kyndryl<sup>®</sup>

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





World's leading provider of IT infrastructure services

Most Fortune 100



companies are Kyndryl customers

60%+

of world's managed mainframes run by Kyndryl



95%+

customer retention and more than ten years' average relationship



60+

countries



77K+

technology certifications among our delivery team, a 50% increase since fiscal 2023



## Driving growth

Recognized market leadership

The right strategy, executed ahead of pace

Succeeding in large, attractive markets

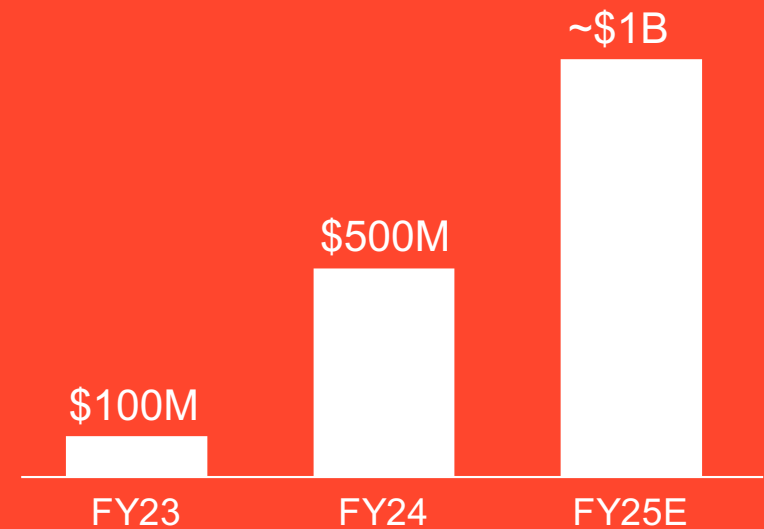
Entering a new era of profitable growth



## Expanded into a broader technology ecosystem through global alliances

- ✓ Formed impactful relationships with hyperscalers and top-tier technology providers
- ✓ Our customer relationships and mission-critical expertise make Kyndryl a sought-after partner
- ✓ Doubled our addressable market

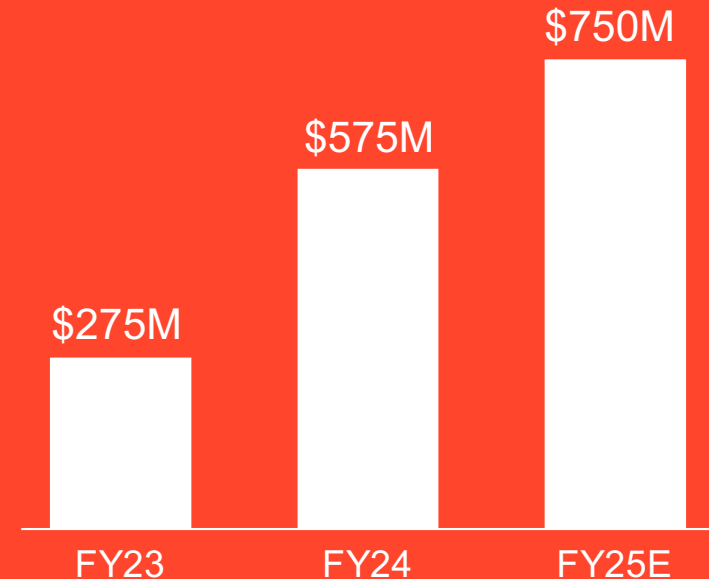
## Hyperscaler-related revenue



## Modernizing delivery with automation and AI

- ✓ Transformed our service delivery through upskilling, automation and AI-enabled Kyndryl Bridge
- ✓ Freeing up employees to serve new revenue streams and backfill attrition
- ✓ Customers benefiting from increased systems availability (reduced downtime)

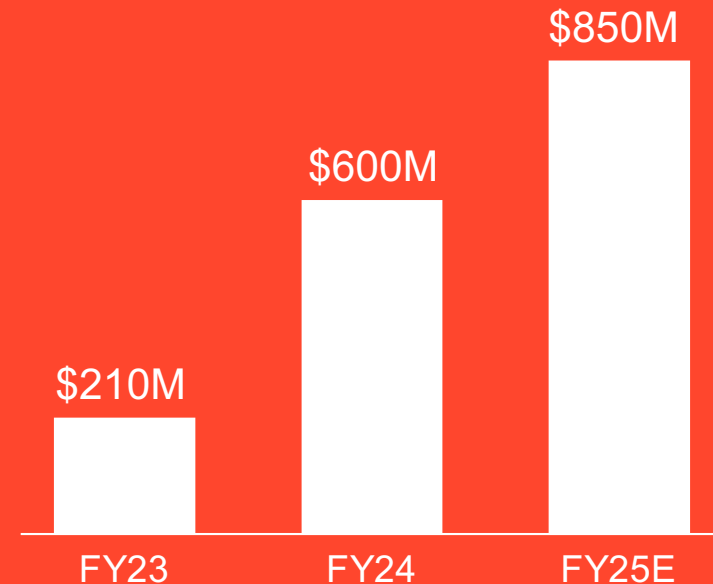
## Advanced Delivery cumulative annualized savings



## Addressing accounts with substandard margins

- ✓ Re-imagining customer relationships to drive mutual benefits
- ✓ Adjusting scope and driving efficiency
- ✓ Reshaping customer contracts and strengthening our profitability with higher-value services

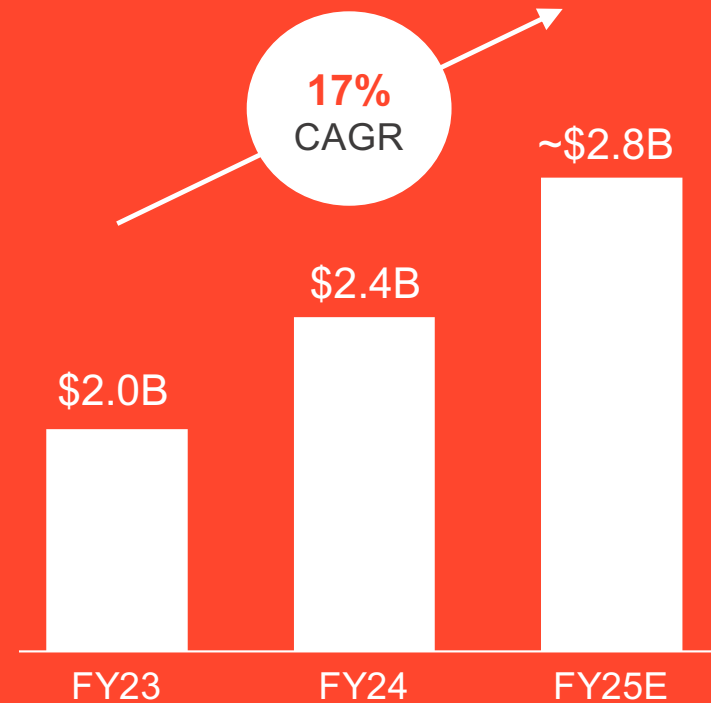
## Accounts cumulative annualized profit



## Unlocking new advisory opportunities with Kyndryl Consult

- ✓ Consistently growing double-digits
- ✓ Powered by our impactful combination of 'run' and 'transform' capabilities
- ✓ Now represents 19% of revenue

## Kyndryl Consult revenue



## Deployed Kyndryl Bridge to our largest enterprise customers

- ✓ AI-powered operating platform leveraging our unparalleled IP and operational data
- ✓ Expanding observability that reduces operational risk and drives productivity
- ✓ Leveraging operational data to drive business outcomes and enhanced cybersecurity

## Accelerating value with AI and business outcomes

**~\$3B** in annual savings for customers

**~2B** automations per year to drive efficiency of IT operations

## Driving growth

Recognized market leadership

The right strategy, executed ahead of pace

Succeeding in large, attractive markets

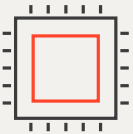
Entering a new era of profitable growth





## Powerful secular trends are driving our long-term growth

Artificial  
intelligence



Cloud  
migration



Modernizing  
complex  
environments



Cybersecurity  
risks















Industry-wide  
skills shortages



We operate at the nexus of these trends

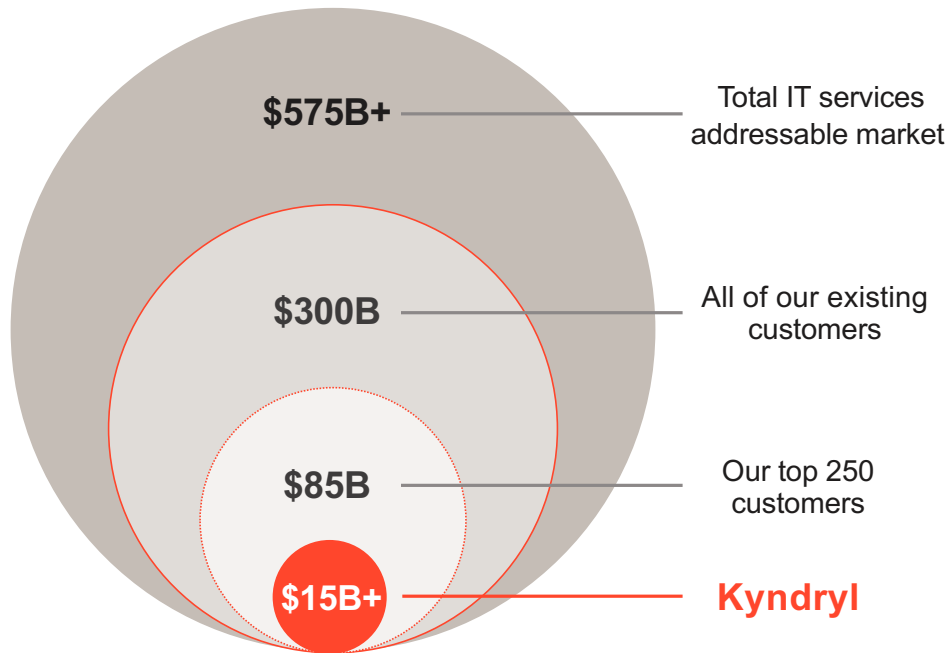
## Our practices align with secular IT trends

Practice	% of revenues	Solutions delivered
 <b>Cloud</b>	<b>34%</b> 	<ul style="list-style-type: none"> <li>• Integrated, multicloud management in a hybrid model</li> </ul>
 <b>Core Enterprise</b>	<b>31%</b> 	<ul style="list-style-type: none"> <li>• Secure, unified, fault-tolerant mainframe services for core infrastructure</li> </ul>
 <b>Security &amp; Resiliency</b>	<b>14%</b> 	<ul style="list-style-type: none"> <li>• Full-line cybersecurity, business continuity and disaster recovery services</li> </ul>
 <b>Network &amp; Edge</b>	<b>8%</b> 	<ul style="list-style-type: none"> <li>• Unified network services for cloud and data center connectivity</li> </ul>
 <b>Digital Workplace</b>	<b>7%</b> 	<ul style="list-style-type: none"> <li>• Enhancing user experience and work location flexibility</li> </ul>
 <b>Apps, Data &amp; AI</b>	<b>6%</b> 	<ul style="list-style-type: none"> <li>• Full application platform hosting and assistance for app modernization</li> </ul>

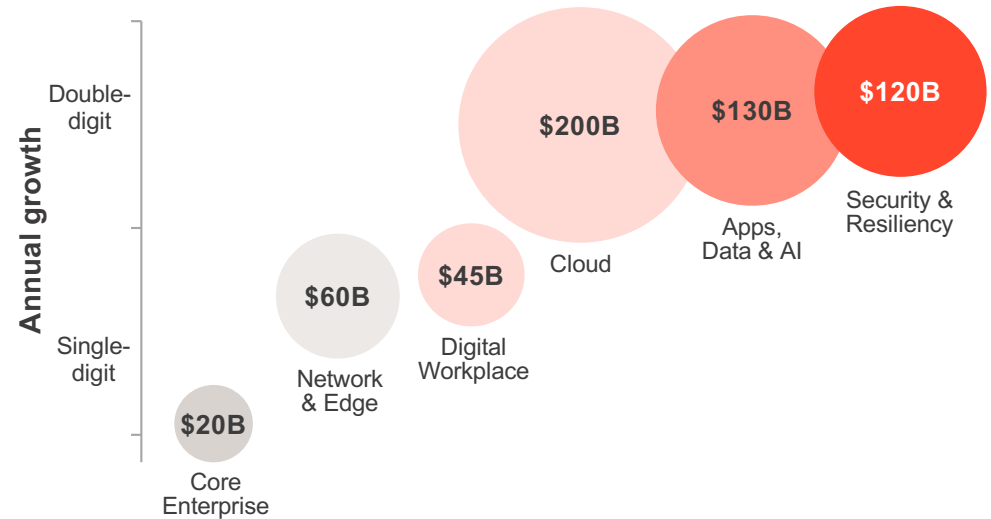


**Uniquely positioned to provide world-class end-to-end IT solutions**

# Positioned in large and growing addressable market



## Three-year estimated CAGR and market opportunity by practice area



**Capitalizing on faster-growing markets as enterprises modernize hybrid estates**

## Driving growth

Recognized market leadership

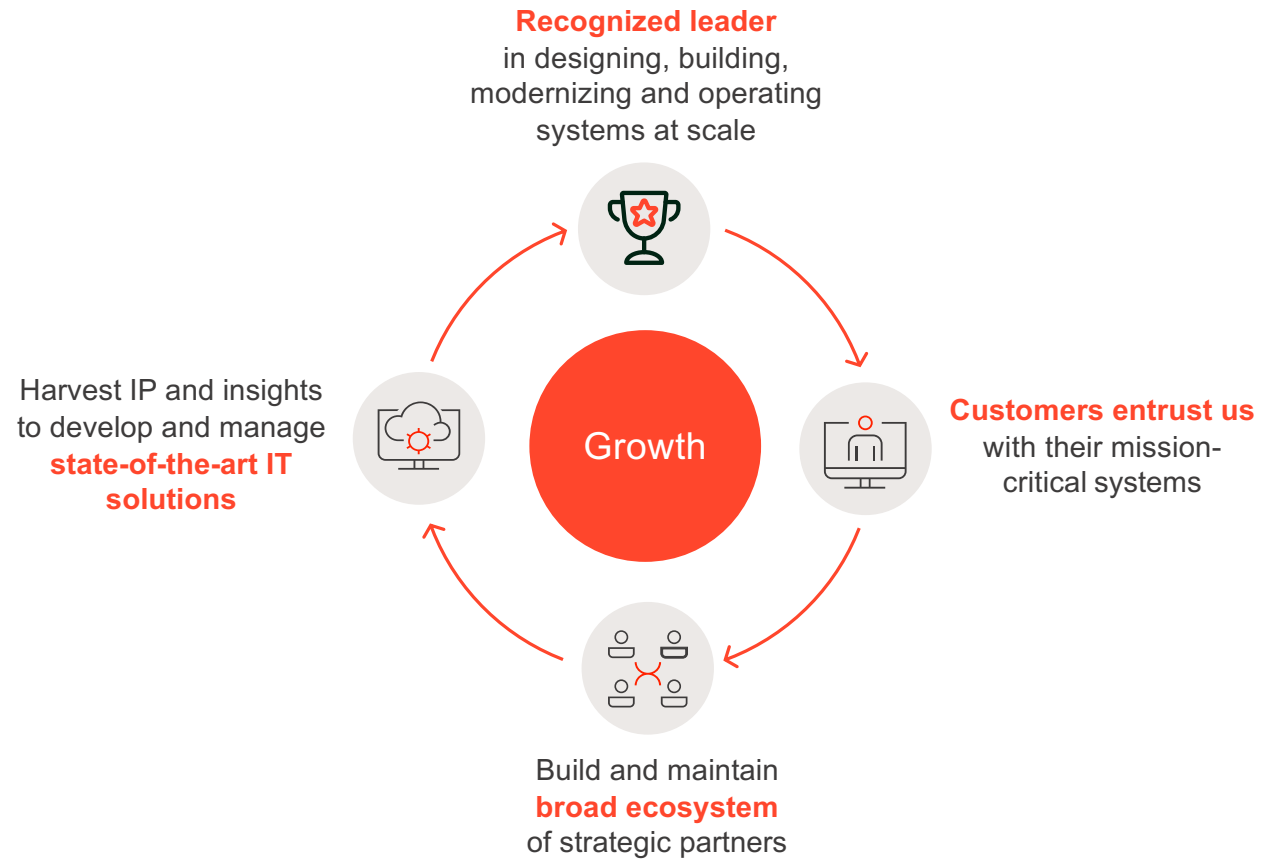
The right strategy, executed ahead of pace

Succeeding in large, attractive markets

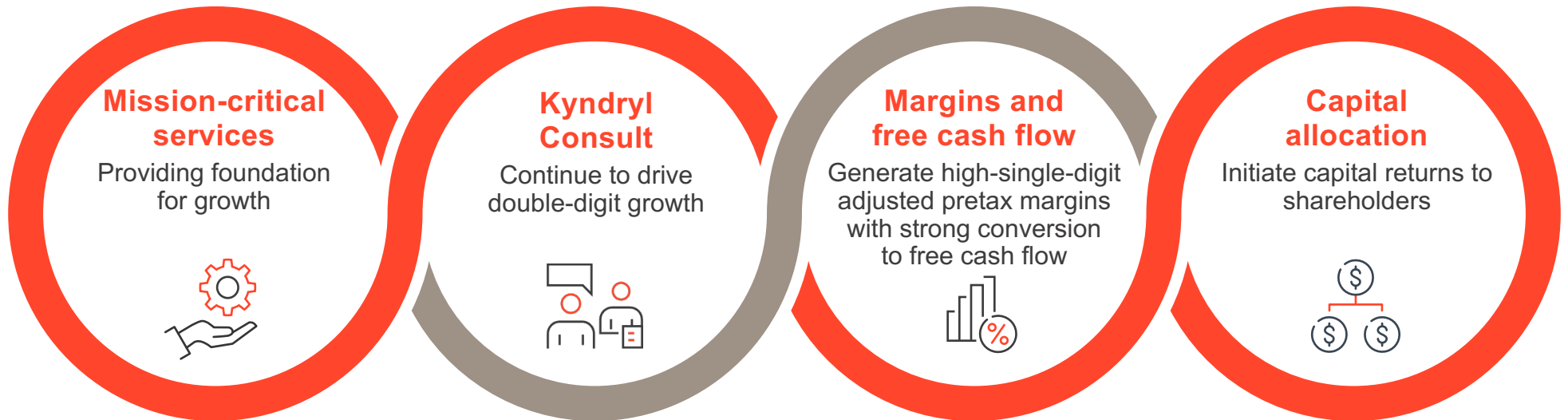
Entering a new era of profitable growth



Our business model is a self-reinforcing flywheel, driving growth



# Entering a new era of profitable growth



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## Kyndryl's growth opportunities

Elly Keinan, Group President





## Kyndryl's growth opportunities

We have unmatched advantages

Customers need Kyndryl

Our opportunities to accelerate growth



# We are the global leader with scale, geographic and industry diversification

## Financial services



## Technology, media and telecom



## Retail, travel and logistics



## Industrials



## Public and healthcare



 We run and modernize mission-critical systems for the world's largest enterprises

## Customers are asking Kyndryl to help them ...

**See**  
across increasingly complex  
hybrid IT environments

We've invested in innovation  
that's delivering insights

**kyndryl bridge**

**Execute**  
turning insights  
into business value

We've built new capabilities  
based on our insights and  
expertise

**kyndryl consult**

**Balance**  
run and transform

We've leveraged our  
mission-critical expertise

**Modernizing  
hybrid IT estates**



There is significant demand for our deep industry and technical expertise

## Our expertise and scale generate precise actionable insights no one else has

Our single global delivery platform enables us to see patterns from . . .

1,200+

customers deployed  
on AI-enabled

kyndryl bridge



We apply best practices to run and transform IT estates

- ✓ Core operations
- ✓ Optimization
- ✓ Resiliency and security
- ✓ Regulatory compliance
- ✓ Modernization

→ Kyndryl's actionable insights target our customers' largest investment priorities

## Kyndryl delivers differentiated value

Our  
expertise



**1.6TB**

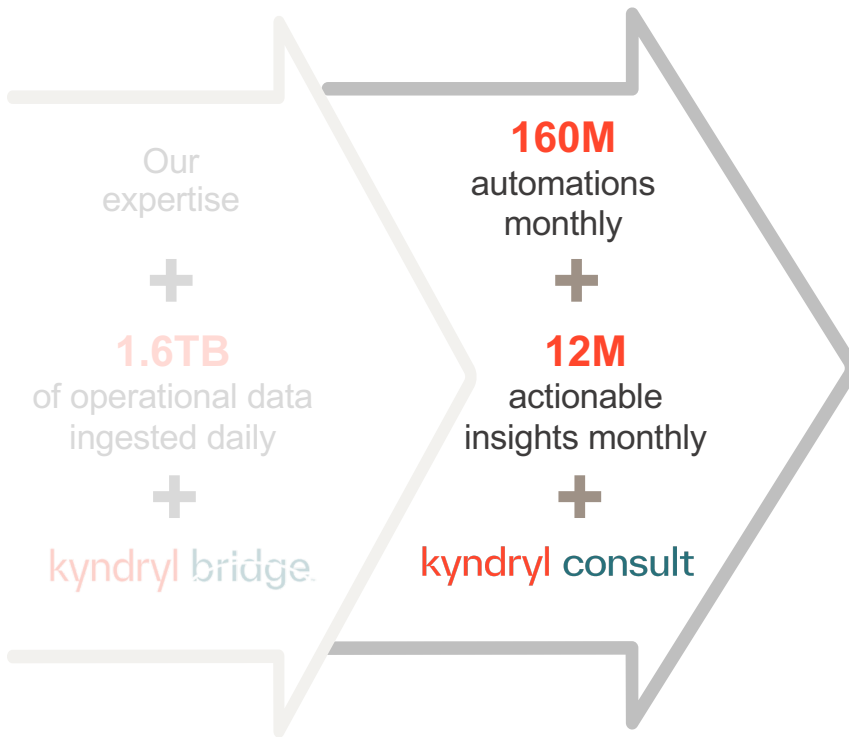
of operational data  
ingested daily



kyndryl bridge.

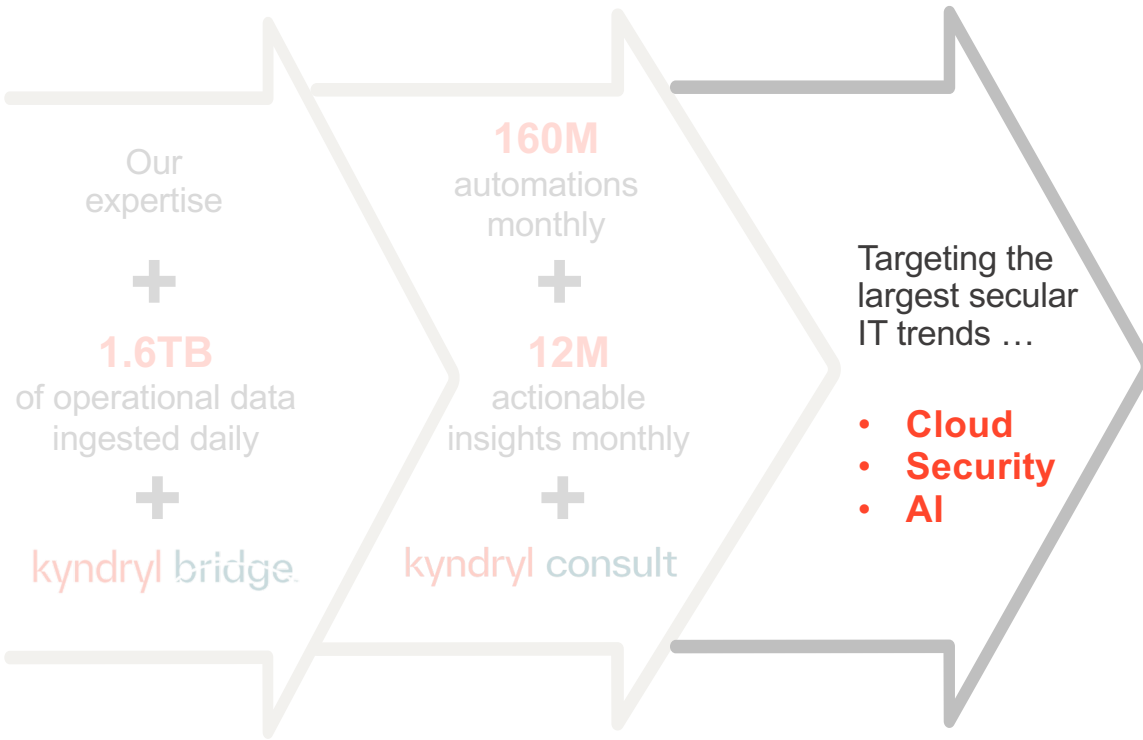
 Kyndryl is uniquely positioned for growth in our fastest-growing markets

## Kyndryl delivers differentiated value

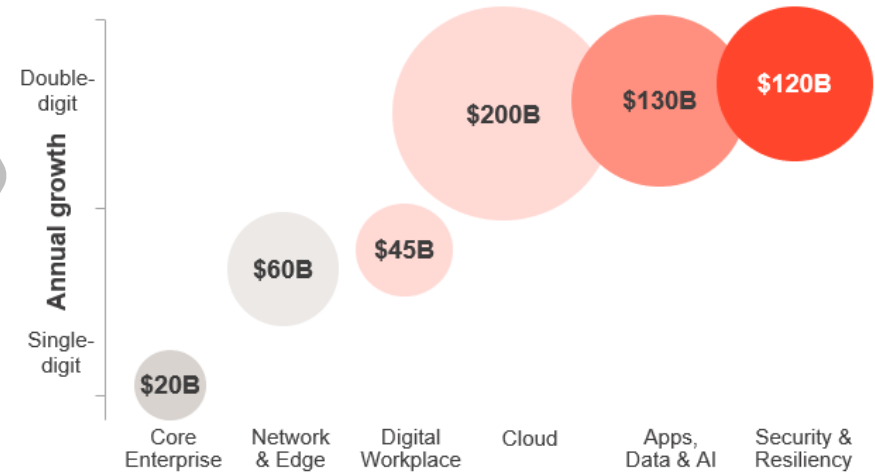


 Kyndryl is uniquely positioned for growth in our fastest-growing markets

# Kyndryl delivers differentiated value



Three-year estimated CAGR and market opportunity by practice area



**Kyndryl is uniquely positioned for growth in our fastest-growing markets**

## Poised for accelerated growth

**kyndryl bridge**

Gaining insights at scale



**Jamie Rutledge**

Global Head of Delivery

**kyndryl consult**

Turning insights into business value



**Ismail Amla**

Global Head of Kyndryl Consult

**Modernizing hybrid IT estates**

Leveraging excellence in IT services



**Petra Goude**

Global Practice Leader



kyndryl.

## Kyndryl Bridge

Jamie Rutledge, Global Head of Delivery



## Kyndryl Bridge

Customers need Kyndryl

Investing in innovation

A differentiated approach

Unlocking new opportunities for growth



## Customers need Kyndryl

92%

of organizations say enterprise-wide observability via an integrated platform is a must-have

64%

of CEOs are concerned their IT is outdated or close to end-of-life

Only 8%

of IT incidents are resolved by automation, which is far below what is possible



Companies need real-time insights to tackle complexity and prioritize investments



## Investing in innovation

### Expertise

Technology leadership and industry knowledge



### Operational data

World's largest provider of mission-critical infrastructure services



### AI

Artificial intelligence and machine learning



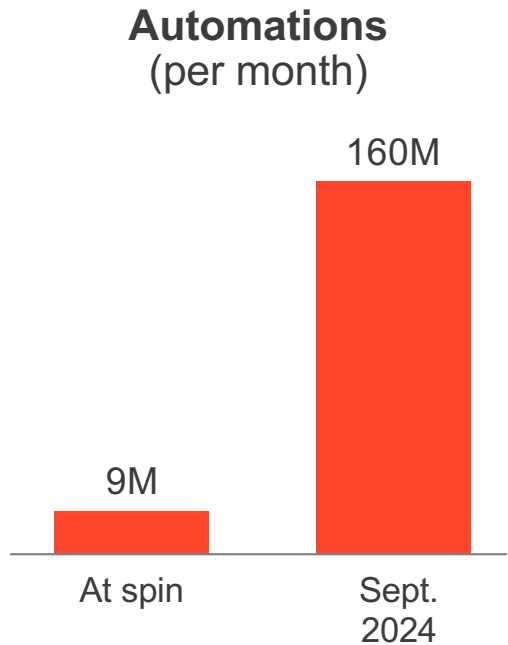
kyndryl bridge

**Proprietary  
insights for our  
customers and  
ourselves**



**Kyndryl Bridge orchestrates insights for advanced delivery and growth**

## Kyndryl Bridge creates powerful ways of working

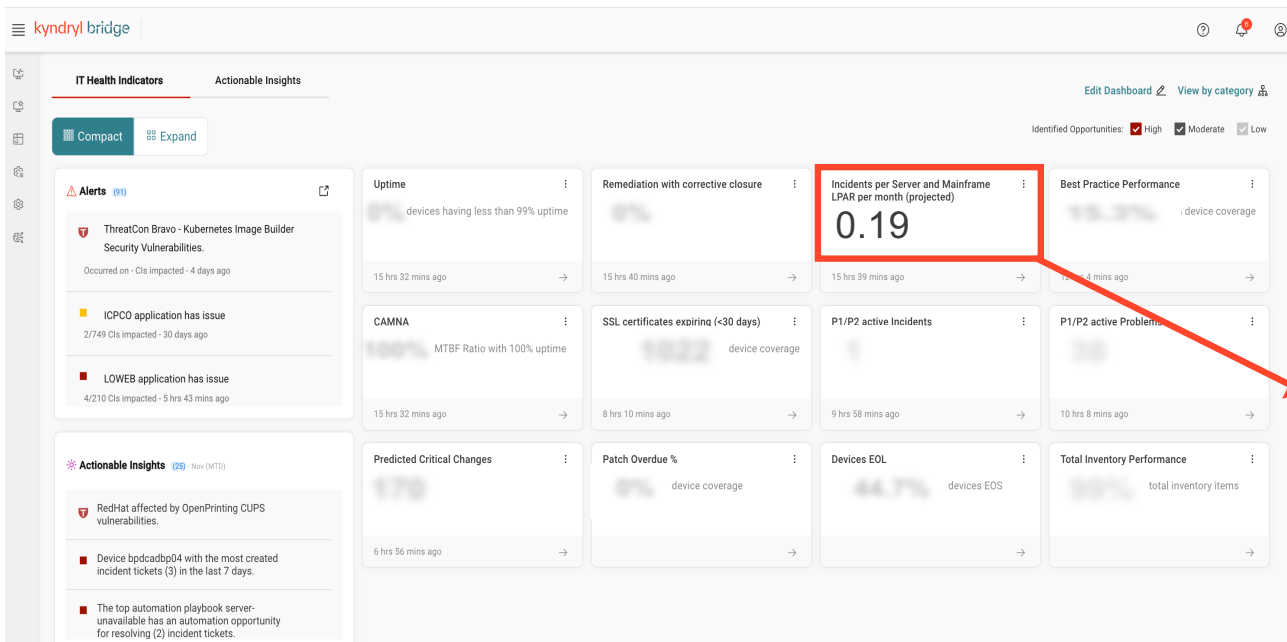


## Driving value for Kyndryl and our customers

**12M** AI-generated insights per month

**+11 pts** Net Promoter Score increase  
(since Kyndryl Bridge launched in September 2022)

# Example: Adding value when large European bank completes acquisition



**Kyndryl optimized the merged bank's IT systems . . .**

- ✓ Serving **40%** more customers
- ✓ With only a **10%** increase in IT spend

**Service experience**

**0.19**  
good < **0.8** | top-tier < **0.4**

 **Kyndryl Bridge mitigated risks, increased quality, and enhanced application experience**

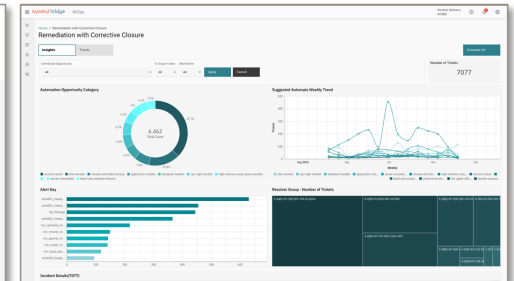
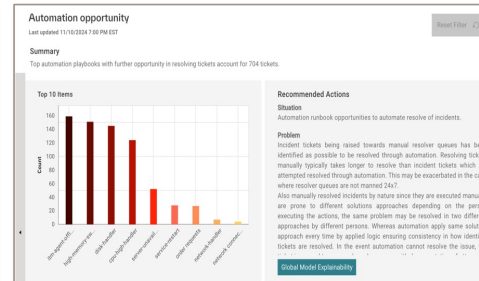
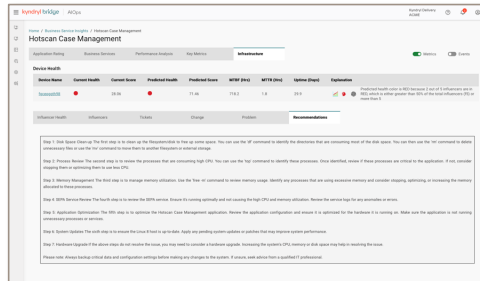
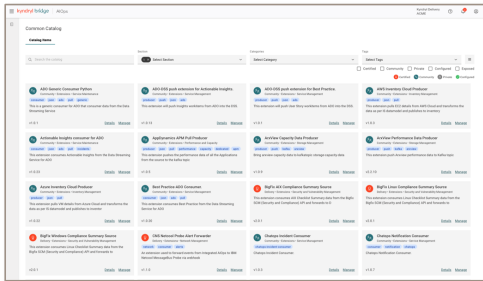
# A differentiated approach

IT data from multiple sources . . .

used to identify patterns and anomalies . . .

and assess their implications real-time . . .

driving decision making and actions

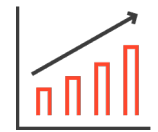


Kyndryl Bridge continuously initiates complex decisions and services

## Kyndryl Bridge unlocks new opportunities

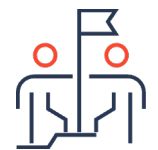
### Advanced delivery

- Service insights identify opportunities and recommend actions to increase quality, reduce data risk and enhance experience
- Automates tasks that free up Kyndryls to meet customer needs, serve new revenue streams and backfill attrition



### Kyndryl Consult

- Proprietary business insights accelerate lead identification and drive higher win rates
- Kyndryl and our customers have a better, shared understanding of needs, risks, opportunities and performance metrics



Learning at scale and harnessing the power of AI



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## Kyndryl Consult

Ismail Amla, Global Head of Kyndryl Consult



# Kyndryl Consult

Customers need Kyndryl

Delivering valuable capabilities

A differentiated approach

A large market opportunity



## Customers need Kyndryl

Only **29%**

of business leaders feel ready for external IT risks

**63%**

of business leaders need advice on enhancing alignment of IT investments with business objectives

**77%**

of organizational skills gaps are solved only with the help of external firms

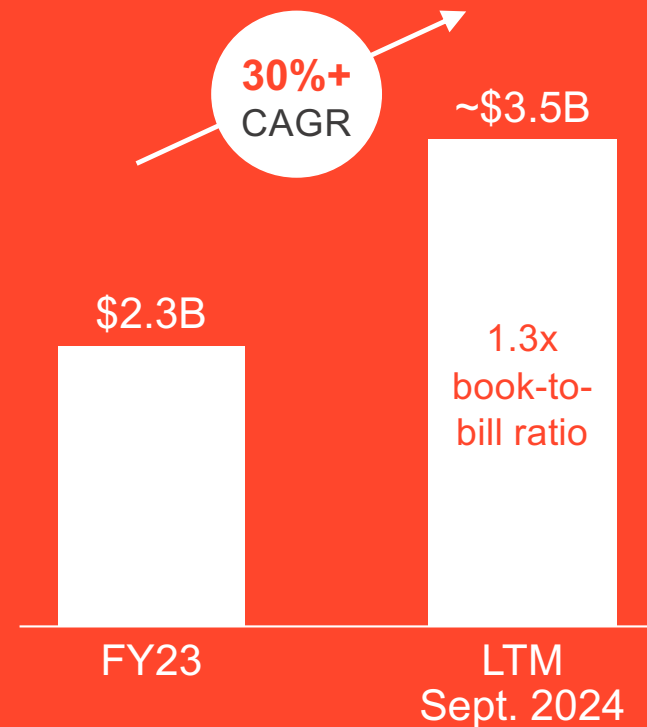


**Companies need trusted advisors to turn insights into business value**

## Kyndryl Consult is delivering valuable capabilities

- ✓ AI-enabled Kyndryl Bridge is identifying incremental growth opportunities for Consult
- ✓ Fielding a growing team of highly-respected consultants, with thousands of tech certifications and extensive mission-critical expertise
- ✓ 97% of our top 250 customers are leveraging our Consult talent

## Kyndryl Consult signings

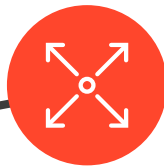


## Our differentiated approach . . . powering IT transformation for a global energy company

**Initial scope**  
Assess security & resiliency



**Scope expansion**  
Enhance IT architecture and standards



**Innovative IT partner**  
Drive operational simplification, best practices, efficiency and quality



**Run hybrid IT estate**  
With modern intelligent technologies



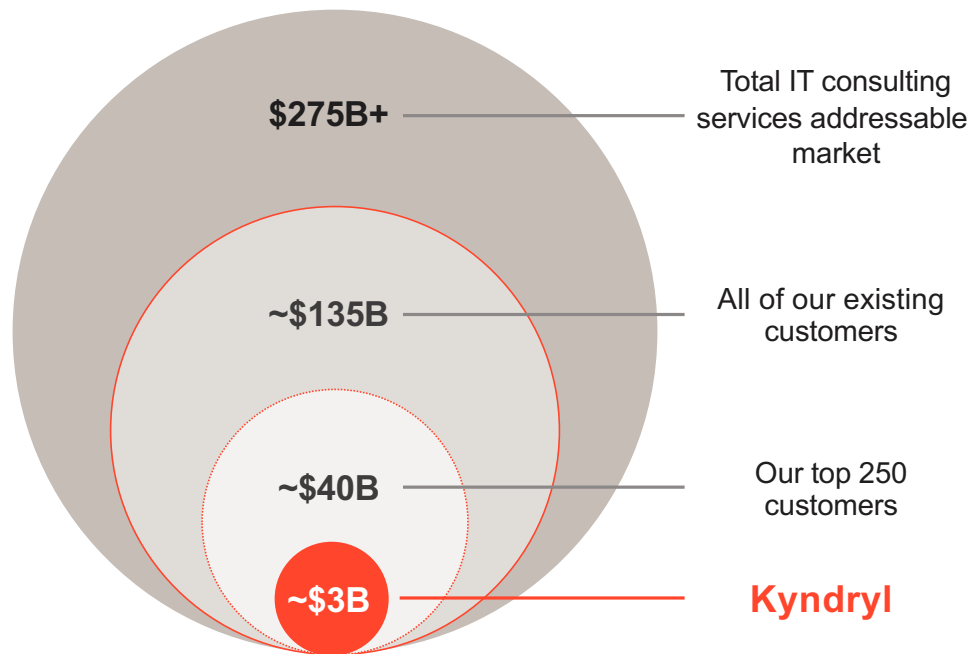
**3x**  
Revenue growth within  
18 months from the  
original contract  
award



**We are our customer's primary partner for IT infrastructure and modernization**

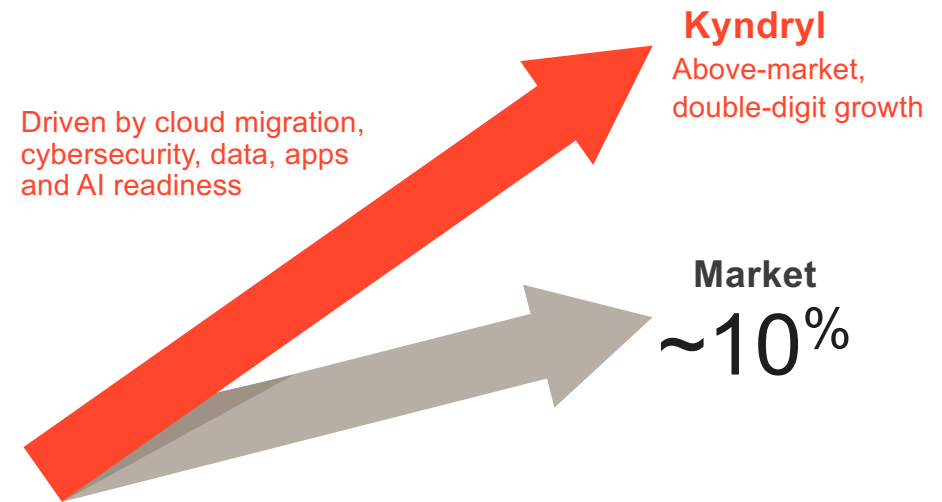
## A large market opportunity

### Kyndryl Consult addressable market



### Kyndryl Consult revenue growth outpacing the market

FY25E – FY28E CAGR



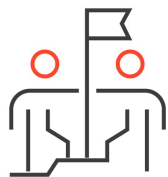
We have significant opportunities to gain share

Kyndryl Consult is a differentiated, high-growth business

## Our vision

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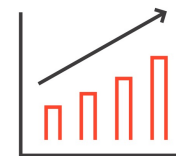
Become the **Consult partner of choice** that maximizes customers' returns on past and future technology investments



## Our future

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Continued **above-market, double-digit revenue growth** over next three years



kyndryl.

## Modernization

Petra Goude, Global Practice Leader





## Modernizing hybrid IT estates

Customers need Kyndryl

Leveraging excellence in mission-critical services

A differentiated approach

A large market opportunity



## Customers need Kyndryl

94%

of business leaders say IT modernization is a top priority for their companies and will mitigate risk

89%

of enterprises with mainframes say that mainframes remain essential to their hybrid IT operations

44%

of servers, storage, networks and operating systems are approaching or at end of life



Companies need trusted experts to run and transform their mission-critical IT

## We're leveraging our eminence in IT services to drive growth

- ✓ 55K Kyndryl delivery practitioners with deep technical engineering expertise and decades of experience
- ✓ Leveraging Kyndryl Bridge, which is creating unprecedented observability and driving new customer wins
- ✓ 94% of our top 250 customers are served by four or more of our six practices



# Our differentiated approach . . . longstanding healthcare customer expands Kyndryl scope and revenue

Existing customer

**Existing scope**  
Building on decades of collaboration



**Kyndryl Consult**  
Providing 'right workload on the right platform' and cybersecurity



Adds 6 points of growth

**Expanded recurring services**  
Modernizing end-to-end hybrid IT environment, powered by Kyndryl Bridge



Adds 29 points of growth

**Opportunity ahead**  
Hybrid cloud, applications and addressing tech debt



**35%**

Scope and revenue expansion in most recent \$2B contract extension

 We're our customer's primary partner for IT modernization and digital transformation

# Our differentiated approach . . . winning a new financial services customer seeking mission-critical capabilities

New customer

**Contract awarded**  
Displaced incumbent of  
15+ years

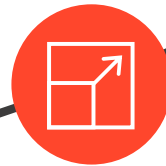


Scope represents  
incremental revenue to Kyndryl

**Seamless transition**  
Providing end-to-end  
IT services



**Expanded scope**  
Increased our advisory and  
mission-critical role



**Opportunity ahead**  
App modernization and genAI,  
hybrid cloud and regulatory  
compliance



**30%+**

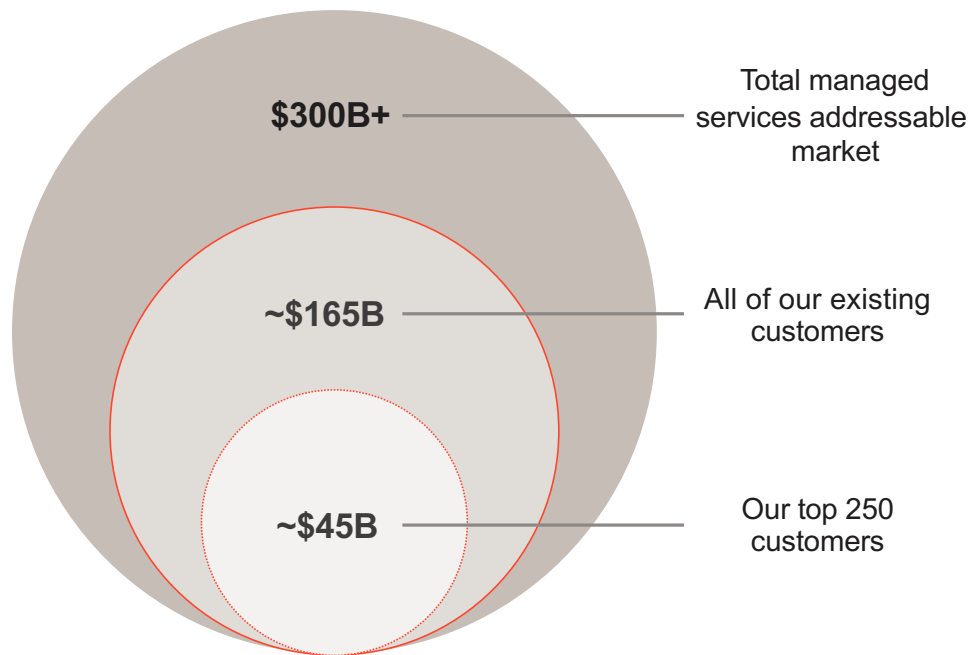
Revenue expansion  
within the first year of  
relationship



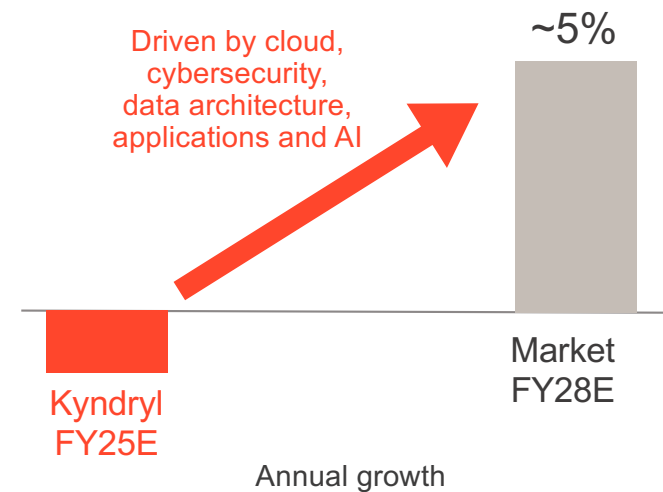
We won this new customer because of our investment in innovation and capabilities

## A large market opportunity

### Managed services addressable market



### Our mission-critical services revenue returns to sustainable growth as we complete the exit from low-margin business



 Well-positioned to increase share of wallet, win new customers and accelerate growth

Mission-critical services are core to our value proposition

## Our vision

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Become the **standard of care** for CIOs and boards in running and transforming mission-critical hybrid IT estates



## Our future

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Creating a business model that delivers **mid-single-digit revenue growth** longer-term



kyndryl®



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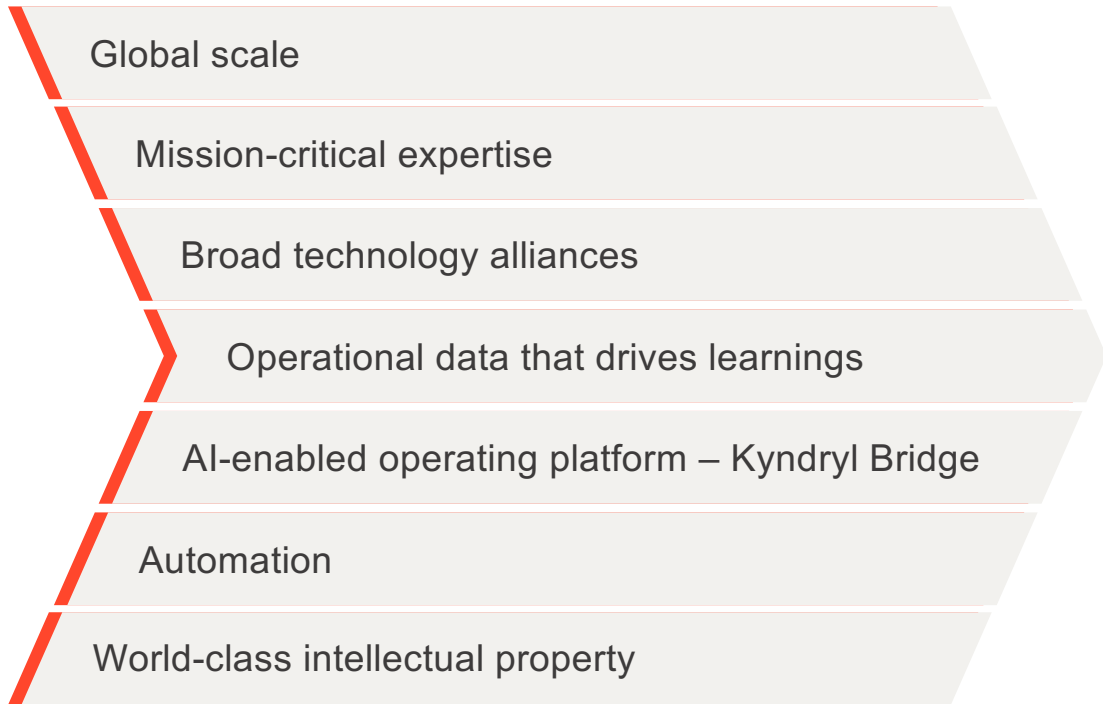
## Focused on profitable growth

David Wyshner, Chief Financial Officer



## Customers seek our industry-leading capabilities

kyndryl®



The advantages we offer differentiate Kyndryl in the marketplace

## Measuring our success

**TRIPLE**

**DOUBLE**

**SINGLE**

## Measuring our success

**TRIPLE**

**3x**

Projected growth in  
**adjusted free cash flow**  
from FY25E to FY28E

**DOUBLE**

**>2x**

Projected growth in  
**adjusted pretax income**  
from FY25E to FY28E

**SINGLE**

**Mid-single-digit**

Projected sustainable  
**annual revenue growth**  
in FY28E and beyond



**Our industry-leading capabilities are driving powerful financial progress**

## Focused on profitable growth

Executing on our strategy

Recurring, diversified revenue streams

Entering a new era of profitable growth

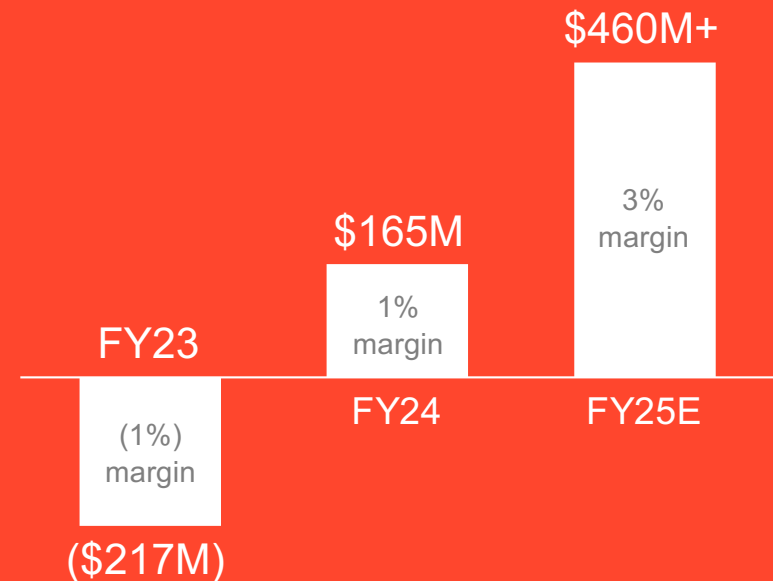
Now returning capital to shareholders



## 3A's initiatives driving substantial margin expansion

- ✓ Advanced Delivery generating \$750M of annual pretax savings at FY25E year-end
- ✓ Accounts contributing \$850M to annual pretax profit at FY25E year-end
- ✓ Increasing adjusted pretax margins by more than 400 basis points in two years

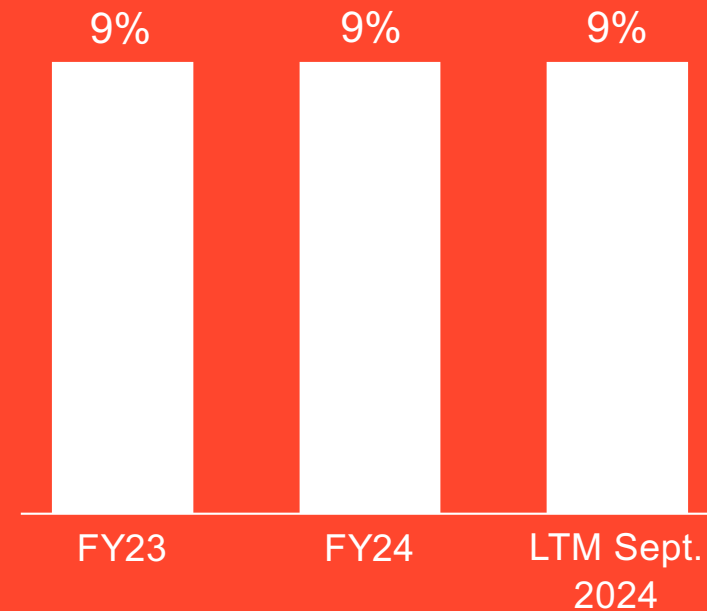
## Adjusted pretax income



## Building backlog value through higher-margin signings

- ✓ Signing contracts with projected gross margins in the mid-20s
- ✓ Gross profit book-to-bill consistently above 1.0
- ✓ Reshaping contracts with new scope and higher-value services, including Consult and hyperscalers

## Pretax margin expected on post-spin signings



## Alliances, Consult, practices and Kyndryl Bridge driving future growth

- ✓ \$1B in annual hyperscaler-related revenue this fiscal year
- ✓ Kyndryl Consult generating ~\$2.8B in high-value revenue this fiscal year
- ✓ Kyndryl Bridge and our practices creating incremental revenue opportunities

## Kyndryl's revenue growth trajectory





## Focused on profitable growth

Executing on our strategy

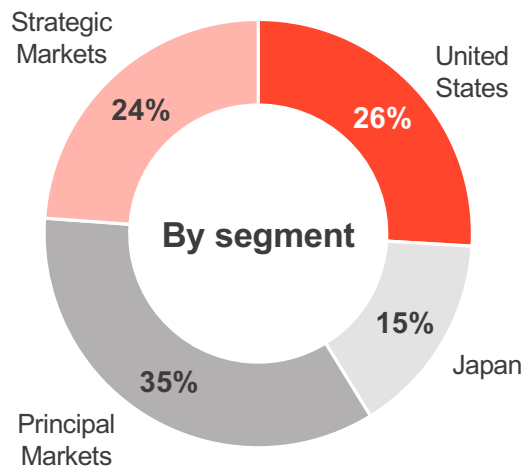
Recurring, diversified revenue streams

Entering a new era of profitable growth

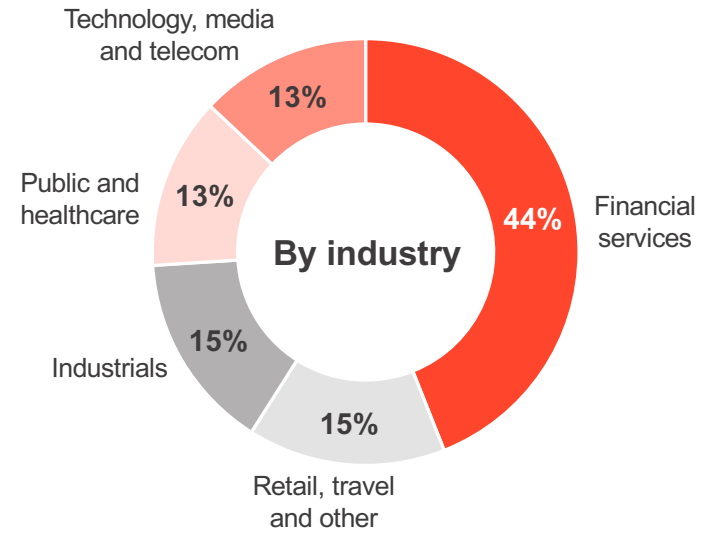
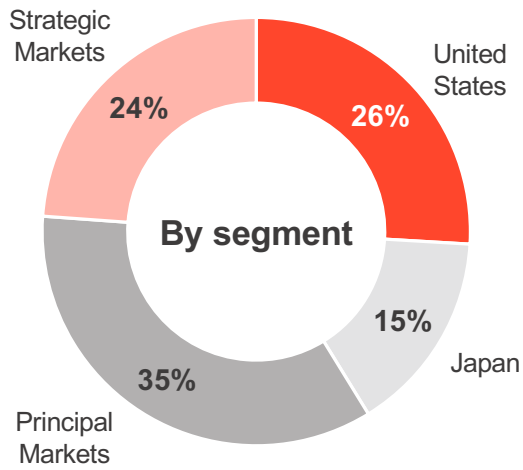
Now returning capital to shareholders



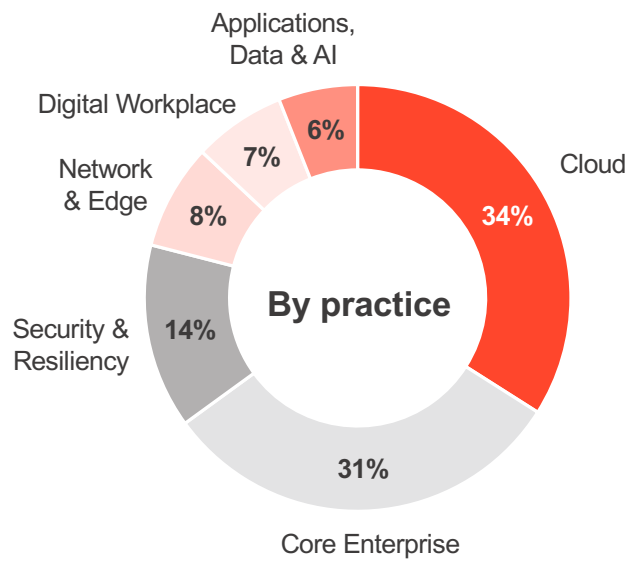
## Diversified revenue sources



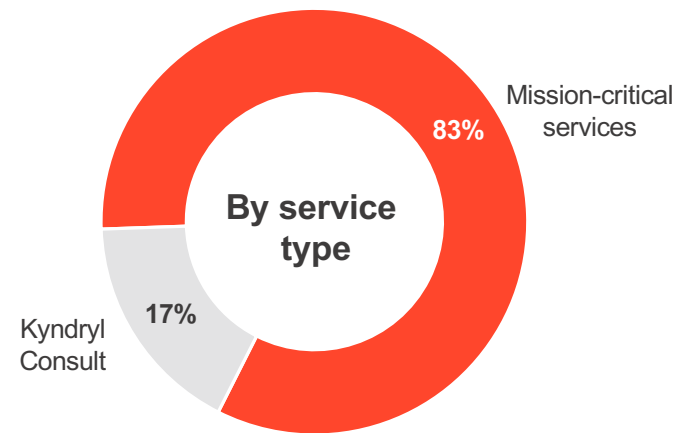
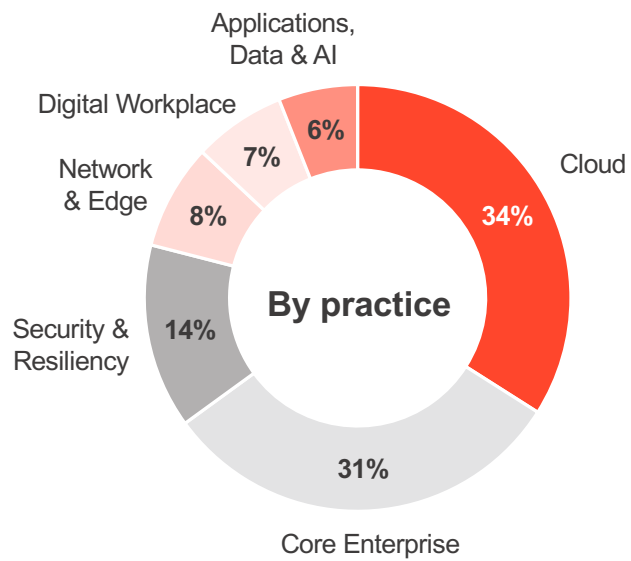
## Diversified revenue sources



## Diversified revenue sources



## Diversified revenue sources



## Annuity-like revenue streams from multi-year contracts, long-term relationships

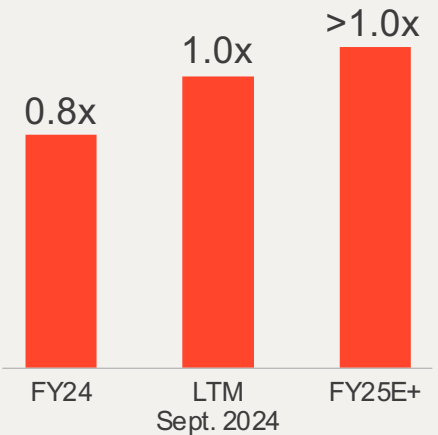
Average  
contract length

3-5 years

Annual customer  
retention

95%+

Book-to-bill



80% to 85% of our revenue each year comes from our beginning-of-year backlog

## Focused on profitable growth

Executing on our strategy

Recurring, diversified revenue streams

Entering a new era of profitable growth

Now returning capital to shareholders



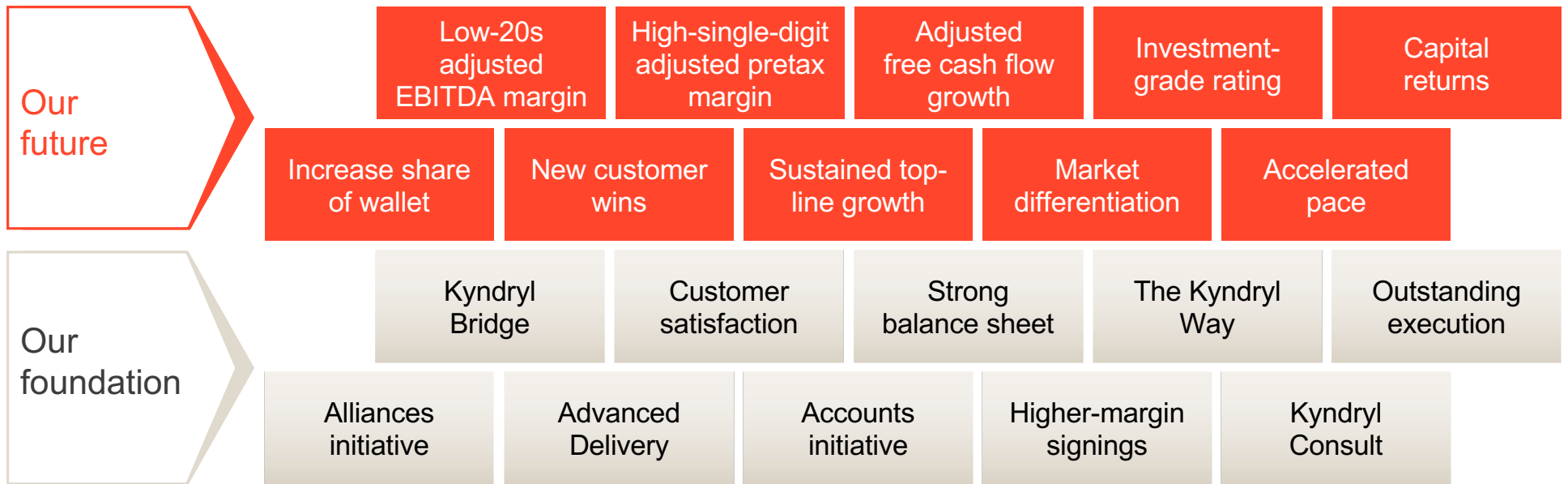
## A new era of profitable growth



We have a clear, impactful, value-creating path in front of us to create a 'growthier' Kyndryl



# A new era of profitable growth



We have a clear, impactful, value-creating path in front of us to create a 'growthier' Kyndryl

## Reaffirming our fiscal 2025 targets

Revenue	Adjusted EBITDA margin	Adjusted pretax income	Adjusted free cash flow
<p><b>(2%) - (4%)</b></p> <p>growth in constant currency</p> <p>\$15.2B - \$15.5B</p> <p>Constant-currency revenue growth in Q4</p>	<p><b>16.3%+</b></p> <p>Up at least 160 bps versus FY24</p>	<p><b>\$460M+</b></p> <p>Up at least \$295M versus FY24</p>	<p><b>~\$300M</b></p> <p>Driven by adjusted pretax income less cash taxes</p> <p>Cash taxes of ~\$150M Net capital expenditures ~\$675M</p>



**Driving innovation, expanding margins and returning to revenue growth**

Based on recent exchange rates, currency effects are currently expected to unfavorably impact revenue by \$160M, adjusted EBITDA by \$85M and adjusted pretax income by \$70M year-over-year; Depreciation expense projected to be ~\$675M; amortization expense of transition cost and prepaid software projected to be ~\$1.2B; interest expense projected to be ~\$120M. Outlook includes ~\$100M of workforce rebalancing costs and ~\$50M net depreciation benefit. The November divestiture of our Securities Industry Services (SIS) platform in Canada will reduce our revenue by ~\$40M in the second half of fiscal year 2025.

## We will fully realize \$2.4B of benefits from our 3A's initiatives by fiscal 2028

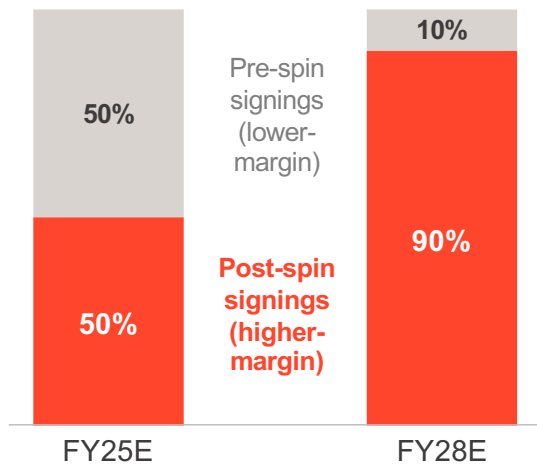
	Alliances	Advanced Delivery	Accounts	Plus Consult and practices growth, cost savings
Signings	✓			✓
Revenues	✓		✓*	✓
Cost savings		✓	✓	✓
Pretax income	✓	✓	✓	✓
Medium-term annual pretax opportunity	\$200M	<del>\$600M</del> \$800M	<del>\$800M</del> \$1B	\$400M



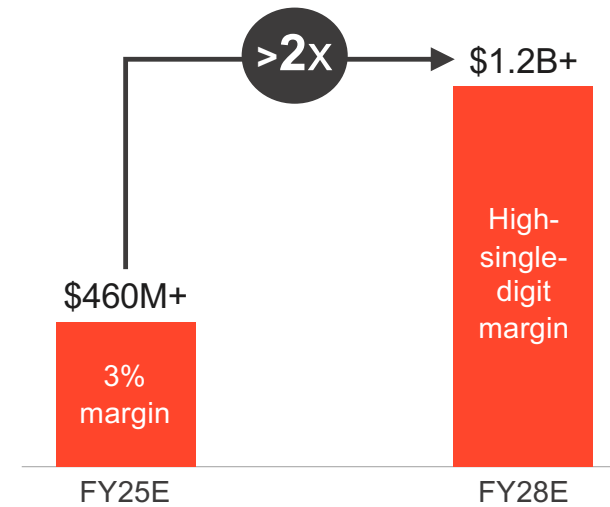
Positioned to exceed the ambitious targets we laid out in May 2022

# Adjusted pretax earnings more than doubling to \$1.2B+ in fiscal 2028

## Sources of our revenue



## Expanding adjusted pretax income and margin



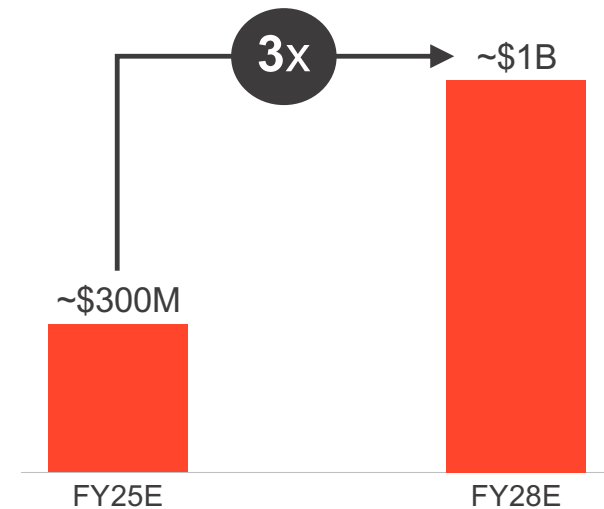
Our evolving business mix is driving our income growth

## Cash flow more than tripling to ~\$1B in fiscal 2028

### Near- and medium-term expectations

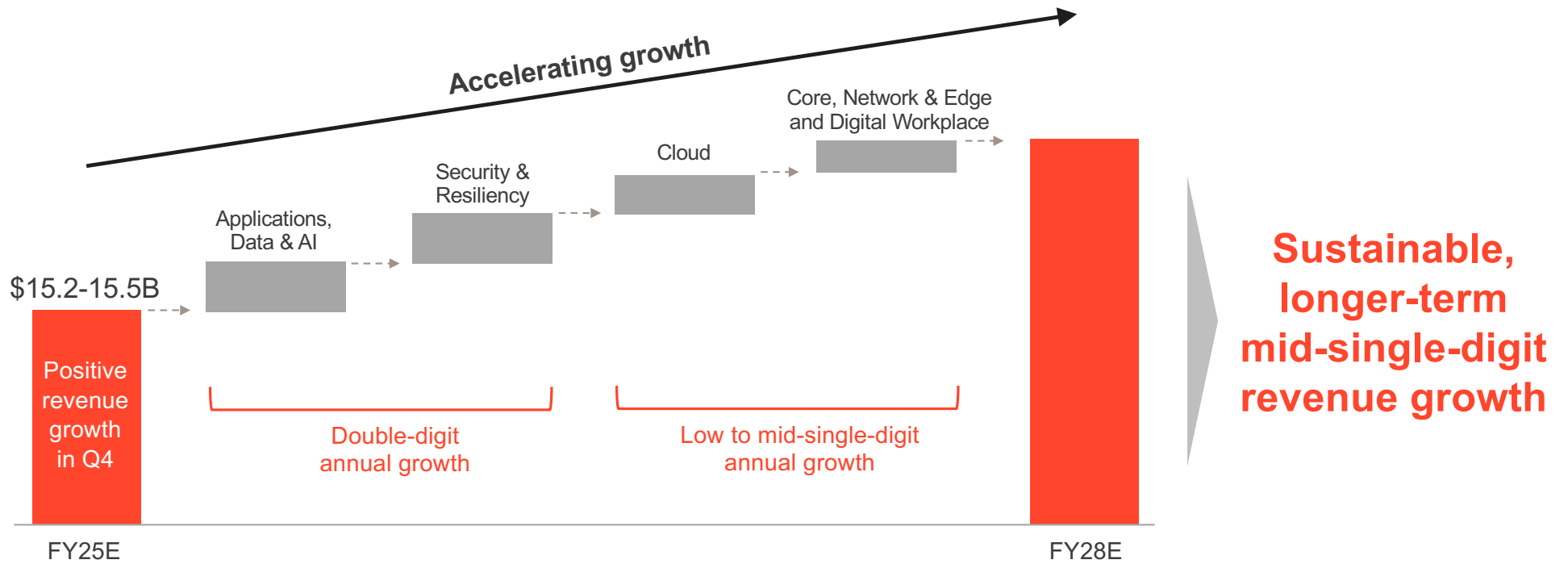
- Highly predictable business model
- Strong cash flow visibility
- Capital returns to shareholders
- Investing to grow the business organically
- Acquisitions limited to tuck-ins

### Adjusted free cash flow



Converting ~100% of adjusted pretax income less cash taxes to adjusted free cash flow

# Kyndryl projected revenue trajectory



**Modernization will drive growth across our global practices**

## Focused on profitable growth

Executing on our strategy

Recurring, diversified revenue streams

Entering a new era of profitable growth

Now returning capital to shareholders



## Now returning capital to shareholders

**\$300M**  
share repurchase  
authorization

Maintaining  
investment-grade  
credit ratings

Target  
net leverage ratio  
below 1.0x



Shareholder-centric capital allocation



## How we will measure success: fiscal 2028 targets

### Adjusted free cash flow

~\$1B

Reflects ~100% of adjusted pretax income less cash taxes

Cash taxes of \$150M to \$200M

### Adjusted pretax income

\$1.2B+

More than doubling versus FY25E

### Revenue

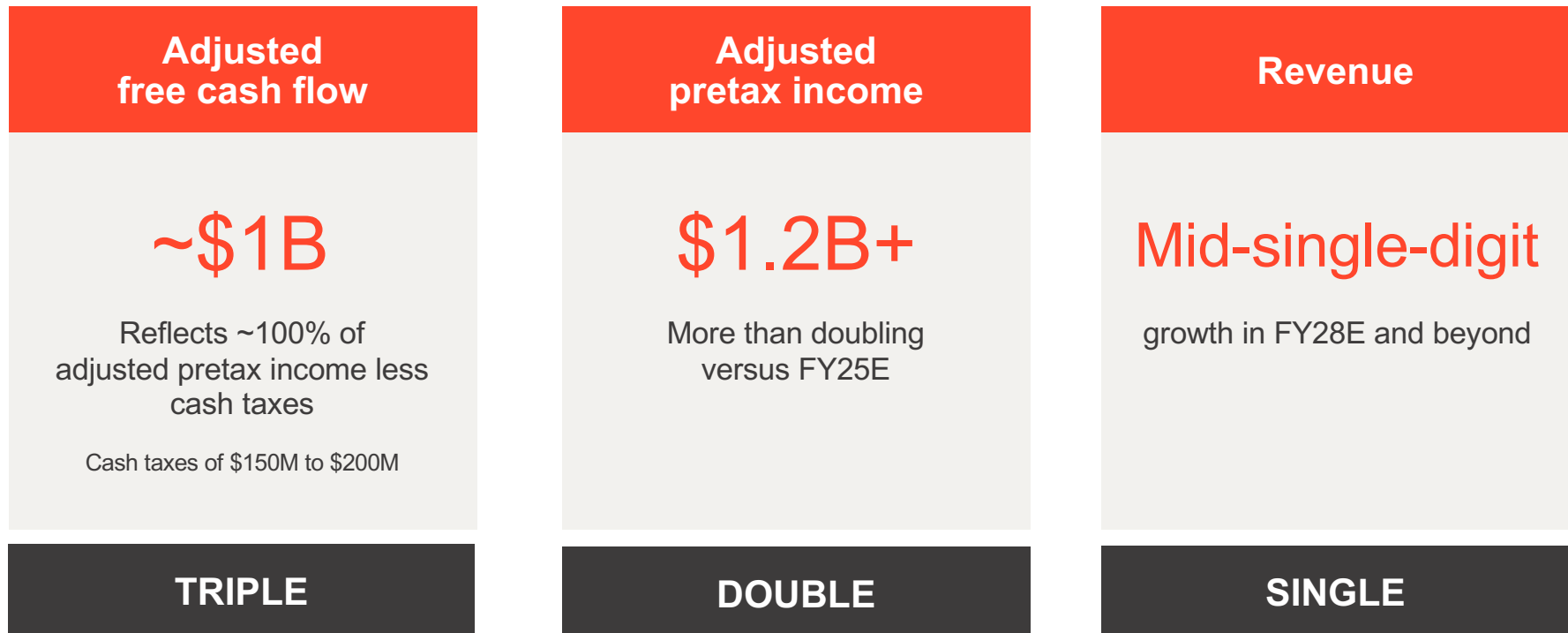
Mid-single-digit

growth in FY28E and beyond



Delivering sustainable long-term growth and returning capital to shareholders

## How we will measure success: fiscal 2028 targets



Delivering sustainable long-term growth and returning capital to shareholders

## What you have heard from us today

### 1 Delivering results

Exceeding expectations on 3A's initiatives

### 2 Leveraging our leadership

Capitalizing on investments in IT infrastructure services

### 3 Accelerating our progress

Now driving revenue growth and margin expansion

### 4 Initiating capital returns

Substantial free cash flow will fund share buybacks



Powering sustainable long-term growth

kyndryl®

# Definitions and rationale for non-GAAP metrics

We present certain non-GAAP financial measures to provide useful supplemental information to investors. We provide these non-GAAP financial measures as we believe it enhances investors' visibility to management decisions and their impacts on operational performance; enables better comparison to peer companies; and allows us to provide a long-term strategic view of the business going forward.

## **Adjusted EBITDA and adjusted EBITDA margin**

Adjusted EBITDA is defined as net income (loss) excluding net interest expense, income taxes, depreciation and amortization (excluding depreciation of right-of-use assets and amortization of capitalized contract costs), charges related to ceasing to use leased/fixed assets, charges related to lease terminations, transaction-related costs (benefits), pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, workforce rebalancing charges incurred prior to March 31, 2024, impairment expense, significant litigation costs and benefits, and currency impacts of highly inflationary countries. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue.

## **Adjusted pretax income (loss) and adjusted pretax margin**

Adjusted pretax income (loss) is defined as pretax income (loss) excluding transaction-related costs (benefits), charges related to ceasing to use leased/fixed assets, charges related to lease terminations, pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, amortization of acquisition-related intangible assets, workforce rebalancing charges incurred prior to March 31, 2024, impairment expense, significant litigation costs and benefits, and currency impacts of highly inflationary countries. Adjusted pretax margin is calculated by dividing adjusted pretax income (loss) by revenue.

## **Adjusted net income (loss), adjusted net margin and adjusted earnings per share (EPS)**

Adjusted net income (loss) is defined as adjusted pretax income (loss) less the reported provision for income taxes, minus or plus the tax effect of the non-GAAP adjustments made to calculate adjusted pretax income (loss), and excluding exceptional items impacting the reported provision for income taxes. Adjusted net margin is calculated by dividing adjusted net income, as defined above, by revenue. Adjusted earnings per share (EPS) is defined as adjusted net income divided by diluted weighted average shares outstanding to reflect shares that are dilutive or anti-dilutive based on the amount of adjusted net income.

## **Constant-currency**

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.

## **Net debt and net leverage ratio**

Net debt is defined as total debt less cash and cash equivalents. Net leverage ratio is calculated by dividing net debt by the last twelve months' adjusted EBITDA. Management uses net debt and net leverage ratio to evaluate its leverage.

## **Adjusted free cash flow**

Adjusted free cash flow is defined as cash flows from operating activities after adding back transaction-related payments, charges related to lease terminations, payments related to workforce rebalancing charges incurred prior to March 31, 2024, and significant litigation payments, less net capital expenditures. Management uses adjusted free cash flow as a measure to evaluate its operating results, plan strategic investments and assess our ability and need to incur and service debt. We believe adjusted free cash flow is a useful supplemental financial measure to aid investors in assessing our ability to pursue business opportunities and investments and to service our debt.

## **Signings, book-to-bill and gross profit book-to-bill**

Signings are defined by Kyndryl as an initial estimate of the value of a customer's commitment under a contract. The calculation involves estimates and judgments to gauge the extent of a customer's commitment, including the type and duration of the agreement as well as the presence of termination charges or wind-down costs. Contract extensions and increases in scope are treated as signings only to the extent of the incremental new value. Signings can vary over time due to a variety of factors including, but not limited to, the timing of signing a small number of larger outsourcing contracts, as well as the length of those contracts. The conversion of signings into revenue may vary based on the types of services and solutions, customer decisions and other factors, which may include, but are not limited to, macroeconomic environment or external events. Our book-to-bill is defined as signings for the trailing twelve months divided by our revenues for the same period. Our gross profit book-to-bill is defined as our projected gross profit on signings for the trailing twelve months divided by our actual gross profit for the same period. Management uses signings, book-to-bill and gross profit book-to-bill as tools to monitor the performance of the business including the business' ability to attract new customers and sell additional scope into our existing customer base.

## Reconciliation of non-GAAP metrics

(\$ in millions)

Reconciliation of net income (loss) to adjusted pretax income (loss)	Twelve months ended Mar. 31, 2024	Twelve months ended Mar. 31, 2023
<b>Net income (loss) (GAAP)</b>	<b>(\$340)</b>	<b>(\$1,374)</b>
Plus: Provision for income taxes	172	524
<b>Pretax income (loss) (GAAP)</b>	<b>(\$168)</b>	<b>(\$851)</b>
<b>Non-operating adjustments (before tax)</b>		
Workforce rebalancing charges	138	71
Charges related to ceasing to use leased/ fixed assets and lease terminations	39	80
Transaction-related costs (benefits) <sup>1</sup>	(46)	264
Stock-based compensation expense	95	113
Amortization of acquisition-related intangible assets	30	46
Other adjustments <sup>2</sup>	78	59
<b>Adjusted pretax income (loss) (non-GAAP)</b>	<b>\$165</b>	<b>(\$217)</b>
<i>Adjusted pretax margin</i>	<i>1.0%</i>	<i>(1.3%)</i>
<b>Revenue (GAAP)</b>	<b>\$16,052</b>	<b>\$17,026</b>
<i>Net income (loss) margin</i>	<i>(2.1%)</i>	<i>(8.1%)</i>

Numbers may not add due to rounding

<sup>1</sup> Kyndryl's reported results for fiscal 2024 reflect \$121 million of separation-related costs, primarily for systems migrations, which were completed in November. This was offset by a \$167 million benefit related to an agreement to collect previously reserved receivables from our former Parent.

<sup>2</sup> Other adjustments represent pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs and currency impacts of highly inflationary countries