UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 2, 2022

Kyndryl Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-40853**	**86-1185492**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

One Vanderbilt Avenue, 15th Floor
New York, New York 10017
(Address of principal executive offices, and Zip Code)

212-896-2098
(Registrant’s telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 stock, par value $0.01 per share	KD	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.02 Results of Operations and Financial Condition

On November 2, 2022, Kyndryl Holdings, Inc. (the "Company") issued a press release announcing the results of the Company's operations for the second fiscal quarter ended September 30, 2022. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information in this Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1 hereto, is being furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing made by the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Number	Description of Exhibit
99.1	Press Release, dated November 2, 2022 (Furnished herewith)
104	Cover Page Interactive Data File (embedded in the Inline XBRL document)

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 hereunto duly authorized.

Date: November 2, 2022

KYNDRYL HOLDINGS, INC.

By: /s/ Vineet Khurana
Name: Vineet Khurana
Title: Vice President and Controller

kyndryl

Exhibit 99.1

KYNDRYL REPORTS SECOND QUARTER 2023 RESULTS

- **Revenues for the quarter ended September 30, 2022 total $4.2 billion, net loss is $281 million, pretax loss is $219 million and adjusted pretax loss is $102 million**
- **Continued progress on Alliances, Advanced Delivery and Accounts initiatives**
- **Launched *Kyndryl Bridge*, *Kyndryl Vital* and *Kyndryl Consult*, reflecting commitment to innovation and expansion of value-creating services**
- **Updates outlook for fiscal year 2023**

NEW YORK, November 2, 2022 — Kyndryl Holdings, Inc. (NYSE:KD), the world's largest IT infrastructure services provider, today released financial results for the quarter ended September 30, 2022, the second quarter of its 2023 fiscal year.

"We continue to execute on our three key initiatives – Alliances, Advanced Delivery and Accounts – which are driving us toward profitable growth. We're leveraging our hyperscaler partnerships to serve even more of our customers' needs, enhancing our service delivery through upskilling and automation, and addressing elements of our business with substandard margins," said Kyndryl Chairman and Chief Executive Officer Martin Schroeter.

"To reflect our commitment to innovation, we recently launched Kyndryl Bridge, Kyndryl Vital and Kyndryl Consult. Each of these new innovations strengthens our mission-critical services and reflects how we're creating more value for our customers as an independent company," Schroeter said. Additional information on these innovations is provided below.

Results for the Fiscal Second Quarter Ended September 30, 2022

For the second quarter, Kyndryl reported revenues of $4.2 billion, a year-over-year decline of 9%, or growth of 1% in constant currency. Compared to prior-year pro forma revenues, revenues declined 8%, but increased 2% in constant currency. The Company reported a pretax loss of $219 million and a net loss of $281 million, or $1.24 per diluted share, in the quarter, compared to a net loss of $690 million in the prior-year period. Adjusted pretax loss was $102 million, compared to pro forma adjusted pretax income of $63 million in the prior-year period. Currency movements had a negative year-over-year impact of $69 million on adjusted pretax income. Adjusted EBITDA of $428 million compares to $716 million of pro forma adjusted EBITDA in the prior-year period, primarily driven by unfavorable currency movements of $107 million, higher input costs and a change in cost mix toward non-depreciated and non-amortized items. In the six months ended September 30, cash flow from operations was $491 million, and adjusted free cash flow was $184 million.

"Our solid execution and enhanced customer engagement drove strong revenue results in the September quarter. Excluding external factors such as currency headwinds and higher energy costs, our adjusted earnings were consistent with our June quarter earnings," said Kyndryl Chief Financial Officer David Wyshner. "We're confident we have the right strategy in place, and we're on track to achieve our medium-term goals, including top-line growth in calendar 2025 and meaningful margin expansion."

Recent Developments

- **Alliances initiative –** In the first six months of fiscal 2023, Kyndryl signed contracts tied to cloud hyperscaler alliances with an aggregate value of more than $425 million, progressing toward its $1 billion hyperscaler signings target for the year. Kyndryl further increased its cloud-related capabilities, with more than 26,000 hyperscaler certifications among its employees at the end of the quarter, a 63% increase since the beginning of the calendar year.

- **Advanced Delivery initiative –** The Company has redeployed over 3,000 delivery professionals to serve new revenue streams and backfill attrition. This will generate annualized savings of approximately $150 million, putting the Company on track to achieve its $200 million fiscal 2023 year-end objective.

- **Accounts initiative –** Kyndryl continued to address elements of its business with substandard margins, bringing the total impact from this initiative to $80 million of annualized benefits, on track to achieve the Company's $200 million fiscal 2023 year-end goal.

  In addition, the projected margins associated with all signings in the quarter increased meaningfully compared to 2021, reflecting the Company's emphasis on winning profitable business and its strategic willingness as an independent company to turn away low- and no-margin business.

- **Kyndryl innovation –** In recent weeks, the Company has announced several new innovations to enhance its services capabilities:

  - **Kyndryl Bridge –** The Company recently launched Kyndryl Bridge, an open integration platform that gives business leaders control over customizing mission-critical operations and real-time insight into their complex IT estates. The platform integrates existing tools, intellectual property, processes and partnerships to maximize the benefit of multi-cloud capabilities and deliver an 'as-a-service' operating environment. Kyndryl Bridge is designed to be a digital collaboration environment that will continue to expand and grow over time, connecting Kyndryl's advanced technology, market innovation and industry expertise across the global economy.
  - **Kyndryl Vital –** Kyndryl announced Kyndryl Vital, a co-creation experience where Kyndryl professional designers and technical experts work side-by-side with customers and partners to solve complex IT challenges.
  - **Kyndryl Consult –** Kyndryl has branded and amplified its advisory & implementation services activities as Kyndryl Consult, reflecting the continued evolution of the Company's services and the value its advisory services can create for customers. Signings for advisory services increased 62% year-over-year in constant currency in the quarter compared to prior-year pro forma signings, highlighting Kyndryl's focus on leveraging its expanded technology partnerships to grow its business.

- **Global strategic partnerships –** The Company announced several new capabilities and relationships with strategic partners:

  - A new initiative expanding Kyndryl's partnership with Microsoft to increase customer access to mainframe data through cloud-computing-based applications and integration with machine learning and artificial intelligence
  - Managed services delivery for Google's new "Dual Run" offering that seamlessly moves mainframe workloads to the cloud
  - An expanded managed services partnership with Five9 that leverages Kyndryl's Digital Workplace Services and expertise in AI, automation and cognitive analytics and Five9's cloud-based contact center technology
  - An alliance with Ernst & Young to accelerate clients' complex digital transformations from design and implementation to ongoing operations, combining Kyndryl's cloud, cyber resiliency and core infrastructure services with EY's business and technology consulting capabilities
  - A partnership with Elastic to create joint solutions and delivery capabilities that enable customers to search, analyze and act on data stored across hybrid cloud, multicloud and edge computing environments
  - A partnership with Citrix to develop end-to-end IT managed services and virtual desktop solutions that accelerate the adoption of digital workplace virtualization services and solutions across hybrid and multi-cloud environments
  - An expanded global partnership with Teradata to migrate customers' on-premise and data warehouses to hyperscaler cloud platforms and apply AI and data modernization to enable and accelerate business initiatives

- **Transaction-related costs –** The Company's reported results for the second quarter reflect $68 million of transaction-related expenses and $70 million of transaction-related cash outlays associated with its spin-off, including systems migration and rebranding costs.

Outlook

Kyndryl is updating its outlook for its fiscal year beginning April 1, 2022 and ending March 31, 2023 to reflect higher constant-currency revenue growth, currency effects and higher energy costs. In addition, in order to help identify the impacts that currency movements and energy costs are having on the Company's results, Kyndryl is providing its outlook both (i) based on year-to-date exchange rates and (ii) in constant currency.

Fiscal year 2023, based on year-to-date exchange rates as of October 2022

Based on year-to-date exchange rates, which may continue to fluctuate, the Company projects:

Revenue	$16.3 – $16.5 billion
Revenue growth (versus LTMpf March 2022)	(11%) – (10%)
Adjusted EBITDA margin	11% – 12%
Adjusted pretax margin	(2%) – (1%)

The changes in currency exchange rates over the last year are affecting the Company's revenues, the conversion of U.S. dollar-denominated expenses into other currencies, and the translation of the Company's international earnings. Based on exchange rates as of October 2022, currency movements are negatively impacting fiscal 2023 revenue by approximately $1.7 billion or 930 basis points, adjusted EBITDA by approximately $450 million or 130 basis points, and adjusted pretax income by approximately $300 million or nearly 200 basis points compared to calendar year 2021 pro forma results.

Fiscal year 2023, in constant currency

In constant currency (applying average 2021 exchange rates to fiscal 2023 revenues, costs and expenses), the Company projects:

Revenue growth (versus LTMpf March 2022)	(1%) – 0%
Adjusted EBITDA margin	12.5% – 13.5%
Adjusted pretax margin	(0.5%) – 0.5%

The Company's constant-currency revenue growth outlook represents an increase of three points compared to the outlook the Company provided in May and August. The Company's constant-currency margin projections represent a decline of one-half point from prior outlooks that is solely due to increased energy costs of approximately $70 million.

Projected amounts compare to revenue of $18.7 billion, pro forma revenue of $18.5 billion, pretax loss of $1.9 billion, net loss of $2.3 billion, adjusted EBITDA of $2.0 billion, pro forma adjusted EBITDA of $2.7 billion and pro forma adjusted pretax income of $134 million for the year ended December 31, 2021. Revenue for the trailing twelve months ended March 31, 2022 was $18.3 billion, and pro forma revenue for the same period (LTMpf March 2022) was $18.2 billion.

Management is increasingly emphasizing annual gross margins on contracts signed, rather than aggregate signings revenues, in managing its business. Consequently, Kyndryl is withdrawing its prior guidance related to signings and no longer intends to provide guidance with respect to total signings. The Company plans to continue to report total signings each quarter.

Earnings Conference Call and Webcast

Kyndryl's earnings call for the second fiscal quarter ended September 30, 2022 is scheduled to begin at 8:30 a.m. ET on November 3, 2022. The live webcast can be accessed by visiting https://investors.kyndryl.com/events-and-presentations/events/ on Kyndryl's investor relations website or by dialing 800-225-9448 (from the U.S.) or 203-518-9708 (from all other locations), and providing conference ID KDQ223. A slide presentation will be made available on the same website shortly before the call on November 3, 2022. Following the event, replays will be available via webcast for twelve months at https://investors.kyndryl.com/events-and-presentations/events/ and by telephone for two days by dialing 800-839-5493 (from the U.S.) or 402-220-2552 (from all other locations).

About Kyndryl

Kyndryl (NYSE: KD) is the world's largest IT infrastructure services provider serving thousands of enterprise customers in more than 60 countries. The Company designs, builds, manages and modernizes the complex, mission-critical information systems that the world depends on every day. For more information, visit www.kyndryl.com.

Forward-Looking and Cautionary Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this press release, including 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 and other non-historical statements, including without limitation the information presented in the "Outlook" section of this press release, are forward-looking statements. Such forward-looking statements often contain words such as "will," "anticipate," "predict," "project," "contemplate," "plan," "forecast," "estimate," "expect," "intend," "target," "may," "should," "would," "could," "seek," "aim" and other similar words or expressions or the negative thereof or other variations thereon. Forward-looking statements are based on the Company's current assumptions and beliefs regarding future business and financial performance.

The Company's actual business, financial condition or results of operations may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties which include, among others, risks related to the Company's spin-off from IBM, failure to attract new customers, retain existing customers or sell additional services to customers; technological developments and the Company's response to such developments; failure to meet growth and productivity objectives; competition; impacts of relationships with critical suppliers; inability to attract and retain key personnel and other skilled employees; impact of local legal, economic, political, health and other conditions, including the COVID-19 pandemic; a downturn in economic environment and customer spending budgets; 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, alliances 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 necessary licenses; risks relating to cybersecurity and data privacy; adverse effects from tax matters and environmental matters; legal proceedings and investigatory risks; impact of changes in market liquidity conditions and customer credit risk on receivables; the

Company's pension plans; the impact of foreign currency fluctuations; and risks related to the Company's common stock and the securities market.

Additional risks and uncertainties include, among others, those risks and uncertainties described in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, and may be further updated from time to time in the Company's periodic filings with the Securities and Exchange Commission. Any forward-looking statement in this press release speaks only as of the date on which it is made. Except as required by law, the Company assumes no obligation to update or revise any forward-looking statements.

In this release, certain amounts may not add due to the use of rounded numbers; percentages presented are calculated based on the underlying amounts. As previously announced, Kyndryl changed its fiscal year-end from December 31 to March 31, effective for the fiscal year that began April 1, 2022 and ends March 31, 2023.

Non-GAAP Financial Measures

In an effort to provide investors with additional information regarding its results, the Company has provided certain metrics that are not calculated based on generally accepted accounting principles (GAAP), such as constant-currency results, adjusted EBITDA, adjusted pretax income, adjusted free cash flow, pro forma adjusted EBITDA and pro forma adjusted pretax income. Such non-GAAP metrics are intended to supplement GAAP metrics, but not to replace them. The Company's non-GAAP metrics may not be comparable to similarly titled metrics used by other companies. Definitions of non-GAAP metrics and reconciliations of non-GAAP metrics for historical periods to GAAP metrics are included in the tables in this release.

Forecasted amounts are based on recent currency exchange rates. A reconciliation of forward-looking non-GAAP financial information is not included in this release because the individual components of such reconciliation are not currently available without unreasonable effort. For the same reason, we are unable to address the probable significance of the unavailable information, which could be material to future results.

Pro Forma Financial Information

This press release also includes certain pro forma financial information. The pro forma adjustments assume that the Company's spin-off from IBM and related transactions occurred as of January 1, 2020. The pro forma financial information is unaudited and is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the relevant transactions had been consummated on the date indicated, nor is it indicative of future operating results. The pro forma financial information presented includes adjustments that would not be included in the pro forma financial statements contained in a registration statement filed with the Securities and Exchange Commission that contain pro forma information prepared in accordance with Regulation S-X under the Securities Act of 1933.

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Table 1

KYNDRYL HOLDINGS, INC.
CONSOLIDATED INCOME STATEMENT
(in millions, except per share amounts)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
Revenues[1]	$ 4,179	$ 4,579	$ 8,467	$ 9,330
Cost of services[2]	$ 3,613	$ 4,071	$ 7,290	$ 8,233
Selling, general and administrative expenses	706	705	1,400	1,419
Workforce rebalancing charges (benefits)	3	(1)	6	(12)
Transaction-related costs	68	270	171	443
Interest expense	19	17	38	32
Other expense (income)	(10)	(17)	(13)	(6)
Total costs and expenses	$ 4,399	$ 5,045	$ 8,892	$ 10,110
Income (loss) before income taxes	$ (219)	$ (466)	$ (425)	$ (780)
Provision for income taxes	$ 61	$ 224	$ 107	$ 300
Net income (loss)	$ (281)	$ (690)	$ (531)	$ (1,079)
Earnings per share data				
Basic earnings (loss) per share	$ (1.24)	$ (3.08)	$ (2.35)	$ (4.81)
Diluted earnings (loss) per share	(1.24)	(3.08)	(2.35)	(4.81)
Basic shares outstanding	226.8	224.1	226.0	224.1
Diluted shares outstanding	226.8	224.1	226.0	224.1

[1] Including related-party revenue of $82 and $144 for the three months ended September 30, 2022 and 2021, respectively, and including related-party revenue of $287 and $291 for the six months ended September 30, 2022 and 2021, respectively.
[2] Including related-party cost of services of $421 and $966 for the three months ended September 30, 2022 and 2021, respectively, and including related-party cost of services of $1,382 and $1,872 for the six months ended September 30, 2022 and 2021, respectively.

Table 2

SEGMENT RESULTS
AND SELECTED BALANCE SHEET INFORMATION
(dollars in millions)

Segment Results	Three Months Ended September 30, 2022	2021	Pro Forma 2021	Year-over-Year Growth As Reported	Year-over-Year Growth Constant Currency	Year-over-Year Growth Pro Forma	Year-over-Year Growth Pro Forma Constant Currency
Revenue							
United States	$ 1,149	$ 1,175	$ 1,170	(2)%	(2)%	(2)%	(2)%
Japan	614	730	751	(16)%	6%	(18)%	3%
Principal Markets[1]	1,472	1,748	1,628	(16)%	(5)%	(10)%	2%
Strategic Markets[1]	944	926	980	2%	11%	(4)%	5%
Total revenue	$ 4,179	$ 4,579	$ 4,529	(9)%	1%	(8)%	2%
Adjusted EBITDA[2]							
United States	$ 167	$ 185	$ 247				
Japan	113	113	157				
Principal Markets	57	62	183				
Strategic Markets	111	177	169				
Corporate and other[3]	(20)	(37)	(39)				
Total adjusted EBITDA	$ 428	$ 501	$ 716				

Segment Results	Six Months Ended September 30, 2022	2021	Pro Forma 2021	Year-over-Year Growth As Reported	Year-over-Year Growth Constant Currency	Year-over-Year Growth Pro Forma	Year-over-Year Growth Pro Forma Constant Currency
Revenue							
United States	$ 2,317	$ 2,384	$ 2,376	(3)%	(3)%	(2)%	(2)%
Japan	1,249	1,477	1,516	(15)%	3%	(18)%	0%
Principal Markets[1]	2,988	3,590	3,357	(17)%	(7)%	(11)%	(1)%
Strategic Markets[1]	1,914	1,879	1,987	2%	10%	(4)%	4%
Total revenue	$ 8,467	$ 9,330	$ 9,235	(9)%	(1)%	(8)%	0%
Adjusted EBITDA[2]							
United States	$ 367	$ 460	$ 577				
Japan	228	254	329				
Principal Markets	157	134	364				
Strategic Markets	207	310	281				
Corporate and other[3]	(40)	(85)	(87)				
Total adjusted EBITDA	$ 919	$ 1,072	$ 1,465				

Balance Sheet Data	September 30, 2022	March 31, 2022
Cash and equivalents	$ 1,888	$ 2,134
Debt (short-term and long-term)	3,198	3,223

[1] Principal Markets is comprised of Kyndryl's operations in Australia/New Zealand, Canada, France, Germany, India, Italy, Spain/Portugal and the United Kingdom/Ireland. Strategic Markets is comprised of Kyndryl's operations in all other geographic locations.
[2] The Company refined certain allocation methodologies related to its measure of segment adjusted EBITDA and has accordingly recast the prior-period information to reflect these updates. For more information, see the Company's Form 8-K/A filed with the SEC on May 27, 2022.
[3] Represents net amounts not allocated to segments.

Table 3

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(dollars in millions)

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021
Cash flows from operating activities:		
Net income (loss)	$ (531)	$ (1,079)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization		
Depreciation of property and equipment	449	666
Depreciation of right-of-use assets	191	138
Amortization of transition costs and prepaid software	584	653
Amortization of capitalized contract costs	222	292
Amortization of intangible assets	25	19
Stock-based compensation	54	37
Deferred taxes	41	(344)
Net (gain) loss on asset sales and other	21	(30)
Change in operating assets and liabilities:		
Deferred costs (excluding amortization)	(738)	(815)
Right-of-use assets and liabilities (excluding depreciation)	(193)	(191)
Workforce rebalancing liabilities	(1)	(181)
Receivables	471	(218)
Accounts payable	181	8
Taxes (including items settled with former Parent in prior-year period)	33	708
Other assets and other liabilities	(316)	(59)
Net cash provided by (used in) operating activities	$ 491	$ (397)
Cash flows from investing activities:		
Capital expenditures	$ (466)	$ (420)
Proceeds from disposition of property and equipment	10	95
Other investing activities, net	(60)	—
Net cash used in investing activities	$ (516)	$ (325)
Cash flows from financing activities:		
Debt repayments	$ (56)	$ (42)
Proceeds from issuance of debt, net of debt issuance costs	—	140
Net transfers from Parent	—	1,334
Common stock repurchases for tax withholdings	(13)	—
Net cash provided by financing activities	$ (69)	$ 1,432
Effect of exchange rate changes on cash, cash equivalents and restricted cash	$ (160)	$ (9)
Net change in cash, cash equivalents and restricted cash	$ (253)	$ 701
Cash, cash equivalents and restricted cash at April 1	$ 2,154	$ 50
Cash, cash equivalents and restricted cash at September 30	$ 1,901	$ 751
Supplemental data		
Income taxes paid, net of refunds received	$ 37	$ —
Interest paid on debt	$ 34	$ —

Table 4

NON-GAAP METRIC DEFINITIONS AND RECONCILIATIONS
(dollars in millions, except signings)

We report our financial results in accordance with GAAP. We also present certain non-GAAP financial measures to provide useful supplemental information to investors. We provide these non-GAAP financial measures as we believe it improves 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.

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.

Adjusted pretax income is defined as pretax income excluding transaction-related costs, pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation, amortization of intangible assets, workforce rebalancing charges, impairment expense, significant litigation costs and foreign currency impacts of highly inflationary countries. Adjusted pretax margin is calculated by dividing adjusted pretax income, as defined above, by revenue.

Pro forma adjusted pretax income is adjusted pretax income, further adjusted for excess cost allocations from our former Parent, incremental costs to support independence and growth, other adjustments related to post-Separation commercial pricing agreements with IBM, the portion of the IBM business that was conveyed to Kyndryl and ongoing effects of the Separation-related transactions. Pro forma adjusted pretax margin is calculated by dividing pro forma adjusted pretax income, as defined above, by pro forma revenue.

Management uses adjusted pretax income, pro forma adjusted pretax income, adjusted pretax margin and pro forma pretax margin to evaluate our performance. Management also uses these metrics when publicly providing our business outlook. We believe adjusted pretax income, pro forma adjusted pretax income, adjusted pretax margin and pro forma adjusted pretax margin are helpful supplemental metrics for investors in evaluating our operating performance because they can be used by investors to measure a company's operating performance without regard to items excluded from the calculation of such measure, which can vary substantially from company to company. Adjusted pretax income, pro forma adjusted pretax income, adjusted pretax margin and pro forma adjusted pretax margin eliminate the impact of expenses that do not relate to core business performance. These measures are financial measures that are not recognized under U.S. GAAP and should not be considered as an alternative to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP.

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), transaction-related costs, pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation, workforce rebalancing charges, impairment expense, significant litigation costs, and foreign currency impacts of highly inflationary countries.

Pro forma adjusted EBITDA is adjusted EBITDA, further adjusted for excess cost allocations from our former Parent, incremental costs to support independence and growth, other adjustments related to post-Separation commercial pricing agreements with IBM, the portion of the IBM business that was conveyed to Kyndryl and ongoing effects of Separation-related transactions.

Adjusted EBITDA margin is calculated by dividing adjusted EBITDA, as defined above, by revenue. Pro forma adjusted EBITDA margin is calculated by dividing pro forma adjusted EBITDA, as defined above, by pro forma revenue.

Management uses adjusted EBITDA, pro forma adjusted EBITDA, adjusted EBITDA margin and pro forma adjusted EBITDA margin to evaluate our performance. Management also uses these metrics when publicly providing our business outlook. We believe they are a helpful supplemental measure to assist investors in evaluating our operating results as they exclude certain items whose fluctuation from period to period do not necessarily correspond to changes in the operations of our business. Adjusted EBITDA, pro forma adjusted EBITDA, adjusted EBITDA margin and pro forma adjusted EBITDA margin are financial measures that are not recognized under U.S. GAAP and should not be considered as an alternative to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP.

Adjusted free cash flow is defined as cash flows from operating activities (GAAP) after adding back transaction-related payments and workforce rebalancing 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. Adjusted free cash flow is a financial measure that is not recognized under U.S. GAAP and should not be considered as an alternative to cash flows from operations or liquidity derived in accordance with U.S. GAAP.

Signings are defined by Kyndryl as an initial estimate of the value of a customer's commitment under a contract. We calculate this based on various considerations 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. 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. Pro forma signings reflect the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions. Management uses signings as a tool 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 GAAP revenue to pro forma revenue	**Twelve Months Ended March 31, 2022**	**Year Ended December 31, 2021**
Revenue as reported (GAAP)	$ 18,317	$ 18,657
Pro forma adjustments[1]	(72)	(134)
Pro forma revenue	$ 18,245	$ 18,523

	Three Months Ended					
	September 30, 2022	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**
Revenue as reported (GAAP)	$ 4,179	$ 4,288	$ 4,431	$ 4,556	$ 4,579	$ 4,751
Pro forma adjustments[1]	—	—	—	23	(51)	(45)
Pro forma revenue	$ 4,179	$ 4,288	$ 4,431	$ 4,579	$ 4,529	$ 4,706

[1] Adjustments represent the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of Separation-related transactions.

Revenue for the three months ended September 30, 2022 declined by 9 percent, and increased 1 percent in constant currency, when compared to the prior-year period, and declined by 8 percent, and increased 2 percent in constant currency, when compared to prior-year pro forma revenue.

Reconciliation of net income (loss) to adjusted pretax income (loss) and adjusted EBITDA	**Three Months Ended September 30, 2022**	**Six Months Ended September 30, 2022**	**Year Ended December 31, 2021**
Net income (loss) (GAAP)	$ (281)	$ (531)	$ (2,304)
Provision for income taxes	61	107	402
Workforce rebalancing charges	3	6	39
Transaction-related costs	68	171	627
Stock-based compensation expense	28	54	71
Goodwill impairment	—	—	469
Amortization of acquisition-related intangible assets	11	25	37
Other adjustments[1]	9	18	88
Adjusted pretax income (loss)	$ (102)	$ (152)	$ (572)
Interest expense	19	38	64
Depreciation of property and equipment & amortization of capitalized software	221	449	1,300
Amortization of transition costs and prepaid software	291	584	1,278
Adjusted EBITDA (non-GAAP)	$ 428	$ 919	$ 2,069

[1] Other adjustments represent pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs and foreign currency impacts of highly inflationary countries.

Reconciliation of net income (loss) to pro forma adjusted pretax income and pro forma adjusted EBITDA	Three Months Ended September 30, 2021	Six Months Ended September 30, 2021	Year Ended December 31, 2021
Net income (loss) (GAAP)	$ (690)	$ (1,079)	$ (2,304)
Provision for income taxes	224	300	402
Workforce rebalancing charges (benefits)	(1)	(12)	39
Transaction-related costs	270	443	627
Stock-based compensation expense	20	37	71
Goodwill impairment	—	—	469
Excess cost allocations from IBM	176	325	493
Effects of post-Separation commercial agreements with IBM	125	228	416
Incremental costs to support independence and growth	(87)	(181)	(274)
Pro forma and other adjustments[1]	26	71	196
Pro forma adjusted pretax income (loss)	$ 63	$ 133	$ 134
Interest expense	20	40	76
Depreciation expense	322	640	1,262
Amortization expense	311	652	1,278
Pro forma adjusted EBITDA	$ 716	$ 1,465	$ 2,749

[1] Pro forma and other adjustments represent pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs, amortization of intangible assets, foreign currency impacts of highly inflationary countries, post-Separation commercial pricing arrangements with IBM, the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions.

Reconciliation of cash flow from operations to adjusted free cash flow	Six Months Ended September 30, 2022
Cash flows from operating activities (GAAP)	$ 491
Plus: Workforce rebalancing payments	14
Plus: Transaction-related payments	135
Less: Net capital expenditures	(456)
Adjusted free cash flow	$ 184

Reconciliation of signings to pro forma signings (in billions)	Six Months Ended September 30, 2022	Year Ended December 31, 2021
Historical signings[2]	$ 5.4	$ 13.5
Pro forma adjustments[1]	—	0.3
Pro forma signings[2]	$ 5.4	$ 13.9

[1] Adjustments represent the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions.

[2] Signings for the six months ended September 30, 2022 declined by 18 percent, and 11 percent in constant currency, when compared to the prior-year period, and 22 percent, or 15 percent in constant currency, when compared to prior-year pro forma signings.