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Kyndryl

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Rayna Kumar: Good morning, everyone. I'm Rayna Kumar, and I lead U.S. Payments, Processors and IT Services Equity Research at UBS. I'm fortunate today to be joined by Kyndryl management, including Chairman and CEO, Martin Schroeter; and CFO, David Wyshner. Thanks for joining me today.

Great. So to get started, it's been just over a year since your separation from IBM. What do you think have been the biggest accomplishments Kyndryl has achieved since then?

Martin Schroeter: Yeah. Look, it's a good question. You're right, just over a year, and boy, I've been really pleased with quite a few things we've been able to get done. So first, when we were launched, we were launched as the largest IT infrastructure services provider in the world. About $17 billion, $18 billion of revenue, 90,000 people. Really good, deep customer relationships, but very focused on the IBM ecosystem, and it's the role that we played when we were part of IBM. And so what I've been pleased with is how quickly we've been able to do quite a few things in order to position ourselves to take advantage now of the freedom of action we have and the ability to invest.

So first and foremost, with freedom of action, we've now moved into the ecosystem that really matters for our customers. And we were very quick to sign really deep and meaningful relationships with (inaudible) after we were spun out. Google a month after that, AWS since as well, and then quite a few others. So a big part of what we get by being independent is that freedom of action to kind of chart our own course to be part of the ecosystem that our customers have been asking this business, quite frankly, to be part of. So I'm really pleased with how the teams have moved into and taken advantage of the freedom of action and really joined the ecosystem, like I said, that part of our customer's future as opposed to what I'll call part of their past.

Secondly, I've been really pleased with how the teams have started to develop a new set of offerings, a new set of services, a new set of capabilities around the practices that we created. So we were born -- when we were born, we created really practices that represent where our customers are investing, things like cloud and network and edge and security and resilience. So we've created practices and the teams have been very quick to bring to market new capabilities around those practices so that, again, we can be fulfilling what I think are the requirements, the asks that our customers have had of us for many, many years, which is play a bigger role in how our IT works.

I've been really pleased with the build -- the continuous building of deeper and deeper customer relationships with those we were born with. One of the big bets we're making is that we can continue to invest in these relationships and really grow the wallet share for the customers who trust us today, who let us run hearts and lungs, mission critical, whatever you want to call it. So we've been able to deepen those relationships, and that's been really valuable as customers now trust us to do more around advice, to do more around strategizing with them, and obviously we have a big run business.

And then finally, I've been really pleased with what I'll call the innovation we've brought to market. Since we were announced, since we were spun out, we've announced some really powerful elements that our customers were looking for. One is called Kyndryl Bridge. It's a service delivery platform that our customer -- helps our customers manage and reduce their operational risk. It helps us become more efficient by automating tasks, by really bringing the IP that we were born with together in a consumable, integrated way so our customers get the benefit of that.

We've announced Kyndryl Consult, which allows us now to really capture the value that I think in many ways we had been providing to our customers and advising them on where to go, but now we can do it as a true independent provider. So our customers don't believe we're in there to help them with a specific vendor's technology. They understand that the depth of our experience on their mission critical work and the breadth of now the ecosystem we participate in, we are a much more valuable advisor to where they're going on their infrastructure.

And we created something called Kyndryl Vital, which is a design element to how we do it so that our customers can consume us in a way that brings a design methodology to what they're doing, which is highly valued.

So again, really pleased on what we can do for our customers, both the ecosystem and the capabilities. I'm really pleased on the ecosystem we're part of. Really pleased on the innovation we've brought to market. And then again, really pleased on deepening the customer relationships that we were born with. I think all of these over time are really going to pay off for us.

Rayna Kumar: Got it. Okay. That's extremely helpful. So on the flip side, what do you think are the challenges you've faced since your separation from IBM, and how have you overcome them?

Martin Schroeter: Look, it's also -- it's a really I think good and important question. The metaphor I use, the metaphor we use internally in Kyndryl is one around this idea that when you're spun out, you don't get to pack your own suitcase for the journey. So we didn't get to pack our own suitcase for this. And we have an important but -- and substantial relationship with IBM that they created the commercial relationship that exists now between the two firms. And look, we'll work our way through that relationship, but it's important to understand that when we were born, one of the things that we inherited were commercial relationships with customers that just aren't economically viable for us over the long term.

So we put in place very quickly what we call our Focus Accounts Initiative. And to put it in context, this is like 40% of our revenue. 40% of our revenue is essentially at zero GP. And by the way, within that, there's a distribution. So we don't make any money on about $7-plus billion of our revenue. So we're actively engaged with each of these customers to figure out how do we get this on a better economic long-term footing. Customers are very engaged in the discussion, but that takes work. That takes time.

So again, we didn't get to pack our own suitcase. We have customer relationships that we have to go work our way through. We'll continue to make progress. We've shared our point of view on how much we can get done this year. We've shared our point of view on what that's worth over the long term. And it is a substantial amount of money for us. Over the medium term, we've said this is $800 million of profit for us. So we'll continue to make progress there.

We also have -- when IBM spun us out, we also have, as most spins do, by the way, transition service agreements that are in place. So much of what we -- much of the way we run our procurement systems, our HR systems, our finance systems, our quote-to-cash systems, our contracting systems, they all still run on IBM systems. And those processes, they obviously -- they're not built for a services business because IBM's a product company, and so they're not really fit for purpose for us.

So we have a massive amount of work underway to move off those TSAs. We had 2 years from when we were spun out, so we have about a year left. But that's going to allow us -- look, it's a lot of work. It's a heavy lift. Every function has work to do. David has to get the financial systems, for instance, onto our own systems and off IBM's. But it allows us really to do two things. We made, as a management team, we made the decision to take the big leap to move to kind of what I'll call world-class systems and tools that allows us to fundamentally change how we operate and the processes we use.

But that's a lot of work, but it will ultimately pay off in the form of being a much lower cost platform to run for us. And it'll also help us address some of the cultural issues that we have within Kyndryl around how we show up in front of our customers and how decision making happens and how we can manage a big complex place with the right labor and the right place at the right time in a way that suits, again, a services business as opposed to what can be kind of an orthogonal management system of a product company.

So, again, we didn't get to pack our own suitcase. We have a lot of work to do with customers. We have a lot of work to do on these systems we run. But all of this will continue to make progress. All of this will continue to work over time. Anything you'd add to that?

David Wyshner: Yeah. And to your point about the margins that we generate on focus accounts and in the business overall. One of the things that I think is really resonating with investors we speak to is the updates we've been able to provide about the margins at which we're now signing business. For the last few quarters, we've been signing business with an expected pretax merchant in the mid to upper single digits that translates into a gross margin in the low to mid-20s. And our ability to sign business at those kinds of margins is really encouraging.

What it really means is that if the only thing we were reporting next quarter or the quarter after that was the business that we're signing post-spin, we would have mid to upper single digit pretax margins, gross margins in the 20s. Obviously the challenge we have is that our business for the next few quarters, next few years is going to be a combination of pre-spin signed business and post-spin higher margin business. But as long as we can keep signing business at these higher margins, we're putting higher octane fuel in the tank, and that'll play out over time in a really positive way for our margins. So I think we're -- I'm really excited about how we're overcoming sort of the margin challenges associated with our focus accounts with how we're signing business now.

Rayna Kumar: Got it. As a follow-up to that, so top of mind of investors is really just the macro backdrop. Just help us understand what you're seeing out there for demand for calendar year 2023. And you spoke about energy and FX headwinds on your last earnings call. How will you ever overcome that as we continue to see -- continue to face challenges?

Martin Schroeter: Yeah. So a few things. And again, I'll ask David to comment as well. First, the core of what we do, running infrastructure, mission critical infrastructure is not -- it's not sort of a discretionary purchase. And so for the bulk of our business, I would expect a fair amount of stability within what we're doing for our customers. Customer can't choose to run their infrastructure for only five days because the economy's slow, only six days because the economy's slow. So at the heart of what we do, running mission critical systems tends to be, I'd say, well insulated from the more volatile demand trends that the world might see.

On top of that, notwithstanding whatever economic macro environment we're in, I would say a lot of what we do is not likely to experience too much of a downturn. Like as an example, I don't expect there to be too much of a downturn in cybersecurity. That's just not the way the bad guys work. They don't necessarily follow macro. So we're in a space that's fairly stable, and we do things that are unlikely to experience that same level of volatility in the macro.

Now having said that, we're in 60-plus countries. Our second largest country is actually Japan. And so the impact of the macro certainly has a translation effect on our earnings. And we also have a cost base as, again, I mentioned earlier, that we didn't get to pack our own suitcase. One of the things that IBM put in the suitcase was a dollar cost base for a lot of our software from IBM. And so we do have a real cost headwind as the yen weakened, for instance, on the software we buy. But we have opportunities to engage with customers. As contracts come due to renegotiate, we have opportunities to take some of the content out of our contract and let them go -- let our customers go contract directly with the IP owners. So we have some ability to over time to influence and to sort of reposition our cost base.

And we do have in many, not all, but in many of our contracts, we do have CPI inflation clauses. Now, they're not full. They only mitigate. They don't offset, and they certainly don't enhance. But they do mitigate the impact of some of what we're seeing inflation. So again, from a macro standpoint, the nature of what we do says we're a bit insulated from the ups and downs of the macro environment. We do have some challenges on our US cost base, given the strength of the dollar. And energy, as you said as well, in certain places. But we have ways to sort of work through that, and we can make progress I think over time as we execute against those specifics.

And then on top of that, look, so much of what we're working on, our Focus Accounts Initiative, our Alliances Initiatives and Advanced Delivery as well is what I'll call idiosyncratic to us. We're starting in a place where we have a lot of headroom, a lot to make up in terms of bringing new capabilities to our customers. We have a lot to do to monetize and to capture the value for the advice we've been given. So we have a lot of idiosyncratic opportunity outside macro that will allow us to keep making progress, even in whatever the macro environment is. You have anything you'd --?

David Wyshner: Nope.

Martin Schroeter: Okay.

Rayna Kumar: Great. Okay. And then diving in a little bit deeper on the $8 billion of revenue opportunity here. What are you doing to engage with these customers? What has been the response? And can you put a timeframe on how long it will take to work through these contracts with substandard margins?

Martin Schroeter: Yeah. Again, we call this our Focus Accounts Initiative, and it is $8 billion in revenue. So this is really important for us to do. It will take time. We make progress every week, every month, every quarter, but this will play out over years. And a couple things I think are really important, one, to your question on what's the customer response. Customers are very engaged in this discussion. Customers, given what we do for them, customers don't -- they don't want to change their infrastructure services provider. They really don't. They trust us. We do what we do really, really well. So our service level attainment, our SLA attainment is world-class and continues to get better. We never dropped the ball, Even during the spin process, we maintained a super high level of quality. So they really like what we do.

They really like where we're going. They really like the idea that we're now going to enter the ecosystem that matters. And the people who they trust to run mission critical, the people who they trust to run their hearts and lungs are bringing new ideas and new innovation. So as long as we keep delivering well, and as long as we bring them some innovation, they're not going to be inclined to say, you know what, I'm happy you're losing money, and at some point, I'll figure it out in the future. They're just not. They really do want to sit down and help us figure this out.

So we have a few what I'll call patterns emerging on how customers engage in this discussion. I'd say the single largest pattern is kind of -- I short hand it to greater wallet share. We are showing up with more capabilities. We're showing up with more offerings. We're showing up with an ability to do a lot of things that they either couldn't do or didn't have someone they trusted to help them do in the future. So we have an ability to expand our relationship at better margins. And so there, again, because they trust us, they're happy for us to do more.

And I would say that in the bulk of these discussions, it is about, tell us what you can bring for our multi-cloud management. Tell us what you can do to help our resiliency. Tell us what you can do to help us architect our data in a way so that we can still answer regulators' questions, but we can also build new systems of engagement with our customer base that using the data that sits in our systems of record. So largest pattern, expand the relationship to make it more robust and make it work for both sides.

In some cases, we have an opportunity to remove the content that is really causing the problem. The single thing that tends to define whether or not we've got a really good long-term economic viability is the commercial relationship of the suppliers used. And again, IBM defined the relationship. So in many instances, it's the prices that they created for us to sell software, sell their software, sell their hardware, because we use that in running their systems. And so we have an opportunity. And look, IBM is I think happy to go direct in some cases, and we're happy to pull it out, and our customers are happy to engage, to buy direct. So in some instances, we can actually pull the content out. Our overall revenue goes down, but actually our gross profit dollars go up. So it's sort of a -- we're going to work through this dynamic over time, but it's really helpful for our long-term viability.

So expand relationships is one pattern we're seeing. Pulling out what we'll call towers of content is another pattern we're seeing. As we get to the end of contracts, we have an opportunity to renegotiate prices. And sometimes we weren't getting paid for the value we were creating, so sometimes prices have to go up. And in rare instances, very rare instances, I find, do we just have to -- the whole relationship is going to go away. I just don't see it happening, again, because of the quality of what we're doing and how much our customers have built trust with us and the skills we have.

So a few patterns emerging. It is going to take years for this to play out. We will continue to make progress. We said by the end of this year, by the end of this fiscal year for us, so it's March 2023 when our fiscal year ends, we said we would get about $100 million of profit improvement in our P&L. And we would enter next year with about $200 million run rate going into next year. And so we'll make -- that's a lot of progress for the first year, first fiscal year. Then we'll make more progress again next year. All again in the goal of over the medium term, we think we can get at least $800 million of profit improvement out of that. You sit in the middle of a lot of this as well. Anything you'd add?

David Wyshner: Yeah. Right. I think it's really important to understand that increased pricing at renewals is just one of the plays that we're going to end up running. And even when we do end up in that play, to your point, Martin, I think we're going to retain a lot of customers because the pricing that we're asking for isn't to move to above market pricing. That increase is really to move to market pricing for the type and quality of services we provide.

Rayna Kumar: Wonderful. Okay. So your Advanced Delivery Initiative involves investment in automation and increasing productivity. Can you talk about how you're benefitting from those efforts, and tell us more about Kyndryl Bridge, Vital and Consult?

Martin Schroeter: Sure. So again, I'm going to stick with my metaphor of you don't get to pack your own suitcase. But I will tell you, as we unpack the suitcase, we did -- one of the things we really did well in was the IP that IBM transferred to us. And so our CTO, a person named Antoine Shagoury who we brought in from the outside, has spent the last year sort of accumulating that IP, understanding what's there, and making it more consumable, making it more integrated so that the IP we have around multi-cloud management, for instance, is better integrated with the IP we have around security and resiliency, which is better integrated with the IP we have around data management, et cetera.

So with all that in play now, we have an ability in the first sort of incarnation of Kyndryl Bridge to help our customers with what I call sort of the world's first service delivery platform. So as an example, when you automate a process, when you automate patching, when you automate the discovery process of a big infrastructure for a customer who has acquired somebody or whatever the situation might be, that is massively, massively beneficial to their efficiency. It is massively beneficial to their -- to lower their operational risk, because we have the patterns and we have the IP that allows us to run literally millions of automations a month for our customer base.

So we've launched the first, like I said, the first version, if you will, of this platform. We use it for our own delivery to our own customers. We're bringing customers. We have dozens and dozens on now, bringing customers onto this. And it has helped them experience better quality, lower operational risk in what is clearly a very complex set of architectures. Keep in mind, as you know, our customer base is not the born-on-the-cloud customer. Our customer base are those who have been investing and building in infrastructure for decades. Decades. So there's tech depth and there's complexity and there's systems of record built in a certain way with new systems of engagement that they're trying to get to.

So things that can bring all of that together and automate and discover and start to head down that path of service delivery via platform as opposed to via people is hugely beneficial for them. So that's what Advanced Delivery really is about is taking our platform, our service delivery platform and starting to automate a lot of what we can do for our customers so that the people who used to have to do that can now get freed up and go either -- they can fill labor demand we have someplace else because they left, or we can use them to reskill them and put them into some of the new work we're getting around Azure, Google Cloud, AWS, et cetera, et cetera, et cetera. So Advanced Delivery from a customer's perspective is hugely valuable and reduces operational risk. And from our perspective, it helps us manage our labor pool, helps us fuel the future growth by reskilling people and moving them back into the same customers who trust them. So there's already a relationship there. So that's Kyndryl Bridge.

Kyndryl Vital is a design-led approach that allows our customers to experience us a bit differently. And what we all know from the last, I don't know, 15, 20 years is that the enterprise world is becoming more consumer-like, i.e., the way you consume is really important, and the way you engage with your customer base is really important. So we have an ability to sort of take that old, complex world of how things got done and how you manage your infrastructure and turn it into a more modern design-led approach so that our customers experience us differently.

And then Kyndryl Consult is, as I said, it's a way for us to capture the value of what we're doing and providing advice for our customers around their architecture, around their data management, around their security and resiliency plans. And this business has already has the trust of customers. So now with, again, being part of a broader ecosystem and being truly independent, now we have an opportunity to not only provide them a world-class run experience, which Kyndryl Bridge helps us do, and not only provide a world-class sort of a design-led experience, which Kyndryl Vital does, it also allows us to participate in that advice and that strategy setting dialogue with our customers to help us capture value and help really our customers understand what the world can look like from a true independence.

So they each play a role in how we think about taking advantage of our independence. They each play a role in how we show up in front of our customers. And they each play a role in how our customers experience us from a delivery perspective, from an operational risk perspective, and from where can we take you, where can we help you go. And again, our customer base is not the born-on-the-cloud crowd. It is the customer base that has all of this complexity that's evolved over time. They spend a lot of money on keeping things going as opposed to where they really want to go in the future, and we help them solve that problem. Anything you'd add?

David Wyshner: Yeah. And Advanced Delivery is just a win for us from so many different perspectives. As Martin was saying, it improves the quality of service that we're able to provide through automation. It frees up people whom we can retrain or upskill to various new technologies, which provides opportunities for them. It allows us to back fill some of our own attrition with people we've freed up. And it generates significant cost savings. We're looking at ultimately a $600 million opportunity associated with this. So it's a big number, from our perspective. And generating that kind of cost savings at the same time we're improving service levels and creating opportunities for our people is a great place to be.

Rayna Kumar: Great. We have some questions from the audience. As you position Kyndryl to become more focused on new ecosystems, can you describe how your relationship with IBM has changed over the past 12 months?

Martin Schroeter: Sure. Look, we are -- I think we're their biggest customer. I think we have to be their biggest customer. We'll spend ultimately in the commercial, say, created, we'll spend over $4 billion with them on their hardware and software. And so I think we're a very important customer to them. They are a customer of ours as well. We do some work for them. They're certainly not our biggest customer. But like all customers, we want to do a great job, and so we provide them some services on what we do so well.

And the relationship is really, at this point, it's sort of still two-fold, one of which will go away. That's the TSAs. And our teams have to work obviously closely together, and I think that work goes pretty well, quite frankly. I think we have a good plan to move off their systems. We have, like I said, two years from spin date, so a year left to go. And there's lots of dialogue and cooperation and working together to make that happen. So that part of the relationship ends in a year or so.

The part of the relationship that extends well beyond that, I expect we're going to be their biggest customer for a while, is this commercial relationship. We run more than half the mainframes on the planet that are in a managed environment. So I think we will continue to be able to work with IBM in front of a customer on those critical systems of record, whether or not we buy the mainframes and include them or they go directly or the software, same thing. So the size of the relationship may evolve -- it will evolve over time. The importance to one another, our importance to them in making that mainframe work in the customer's environment is really important. Our proximity to them, and them helping us understand what a mainframe can really do and making the case for why a mainframe might be appropriate is just like every other partner like we would with Google or Microsoft or AWS.

So I think the relationship, it's pretty good. We work well together in front of customers. I think we have -- we're going to have a long relationship together. We're going to have to keep showing up in front of customers. And then as I said, the work we do internally right now, that'll time out in the next 12 months or so. But look, this is a relationship. We know them well. They know us well because we were colleagues for a long time. So the relationships that sit in front of the customer are really important, and we can get a lot done together.

Having said that, again, the freedom of action we have now allows us to be really independent. And there's nothing in the commercial relationship today that says we can't work with someone else. There's nothing in the commercial relationship that says we only do better if they do better. It's a commercial relationship that really does allow us to go pursue our own strategy with whatever partner makes most sense, and that I don't expect to change. So we have a good relationship. We're going to keep showing up with customers. But we also -- there's nothing that sort of says that if we don't sell enough IBM or if we don't promote that technology, that we're going to be worse off. We're really completely independent here at this point. Anything you see every day as well?

David Wyshner: I do. And Rayna, one other thing that changed over the last year is IBM's ownership stake in Kyndryl. When IBM spun us out, they retained initially a 20% ownership stake. And they've sold that down for a combination of I think a reverse ASR and a block trade. Over the last 12 months, they've sold out of that stake, and eliminating that overhang that was there I think is a really good development from our perspective. So with that being out of the way, we don't think the overhang pressure that was there, the selling pressure associated with 40 million shares coming on the market between May and November won't be there the same way. And so we're excited to have that behind us as well.

Rayna Kumar: Got it. That's really helpful detail. So when HP split off services and software, investors arguably found out the customer relationship stacked with the remaining hardware business. Looking at the 60% of revenue that is profitable, how confident are you of sustainable relationships?

Martin Schroeter: Yeah. Look, we were born very well with customer proximity here. And part of -- not entire, but part of the reason that the customers chose to consume through a services model is because they don't have either the skills, they don't have the capabilities, the capacity to deliver in the kind of complex environments we do. And again, you got to remember that we are running mission critical for our customers. And mission critical can be viewed a little bit differently than some other, what I'll call simpler, more straightforward workloads.

So the customers we have, the customers we were born with, just over 4,000 or so customers, mission critical and have chosen to run in a services engagement. And in fact, everybody, each of -- everybody kind of took the journey. IBM ran a novation process. These were customers, by the way, who signed up with an integrated model. So they knew that when it was split apart, they were not getting that integrated model, and that they still chose to come with Kyndryl, to come with the service provider because they need, again, the skills that we have, the depth, the skills for the kinds of workloads we do.

So as long as we continue to deliver, and again, we're delivering at a very high level. Never took our eye off the ball. As long as we now bring innovation, which is something that they were asking us for for many, many years, and now we have a real opportunity to do that. As long as we bring innovation, keep delivering and show up with the more contemporary skills and ecosystem that matter, I am extremely confident that our customers will stay on this journey with us.

I hear it every day from our customers. In fact, I would say our -- among the challenges of a spin is -- so you have to move into the ecosystem that matters. You have to build new capabilities. All that's true. But at the heart of this is a cultural change that we're going through. And we spent a lot of time on culture. We spent a lot of time on how do we make sure our teams know how to bring innovation? How do we make sure they don't just manage a contract? And there is an enormous amount of energy within our firm to do that, to really show up as a great services firm. And I'm already hearing it from our customers. I already hear, Martin, the teams are starting to show up differently in a good way. You're bringing innovation. You've never taken your eye off the ball on delivery

So as long as you keep investing in your business, and as long as you keep moving into the ecosystem that matters to us and you don't drop the ball, then these are customers I think that will stick with us over the long term. Keep in mind, our customer base, even though a typical sort of a run deal is 3 to 5 years, our average customer now relationship is north of 10 years and growing. So these are customers who really trust us, who like where we're going, who like what we're doing for them today. So like I said, I'm very -- I'm extremely confident that we will take customers on this journey with us, as long as we keep meeting those requirements.

Rayna Kumar: Understood. Given the macro environment, do you expect any changes to your capital allocation policies?

Martin Schroeter: Want to jump in?

David Wyshner: Sure. And the short answer is no, at this point. We're generating positive free cash flow. And this year and probably into fiscal year 2024, we're going to be using a fair amount of the free cash flow we generate for the separation related work that we're doing, exiting systems and migrating to our own and doing some rebranding work as well. And that is our principal use of cash or cash deployment in the near term as we work through that period of time and then start to move to a different trajectory.

And then as we finish up with that process, with the transition services process and with the outlays associated with that, I think that'll give us more opportunity to think about capital deployment in different ways in the future.

Rayna Kumar: Great. Okay. And then this question's on ESG. Do you believe the net zero policy is necessary? And will you do anything to incorporate ESG into Kyndryl?

Martin Schroeter: Yeah. So it's a great question. One of the fun things -- I haven't asked David if he thinks it's fun. I think it's fun. But this is David's fifth spin?

David Wyshner: Yep.

Martin Schroeter: Fifth spin. So he's been through the -- he's been down the spin road before. It's my first spin. But one of the fun things is that you have so much you get to create. We had to create a brand, which we're still building. We get to create all of our ESG policies. You get to really think and step back and really think, for a firm that has 90,000 people that does what we do, we run hundreds of data centers around the world, how do you really build a firm that has at its heart not only the mission that we perform for customers, but it has a set of principles, it has a sort of a set of ideas around how do we play an important role in the world and how do we make the world work better. And so we get to create, which we have been now for the past year, we get to create what we're doing on each of the E, the S and the G.

Now on the E, we are about to release this week -- no, middle of the month. I don't even know what today is. What's today? It's this week? She's saying this week. This week, we're going to announce our -- the E part of our goals. And that will include our net zero commitments. It will include our path to get there. And again, because of what we do, I think we have to have a voice and we have to have a position on how do we reduce our environmental footprint. So we're going to announce this week the carbon side of this. We also have water usage goals and reuse goals. We have a few other things that we're going to talk about on the E side.

On the S side, by the way, we've been both with our board internally and externally, we've been very active in trying to sort of set out a set of goals around how do we help our communities? How do we make sure that we build an equitable and inclusive kind of a culture, because again, that's what our employees -- it's important to our employees. It's important to our customers.

And on the G side, I think we were born with very good governance, by the way. We had an opportunity to influence a little bit of it, but IBM put a lot of really good I think governance structures in place. We have one class of stock, as an example. So yeah, the creation side of this, of a spin is really quite exciting, quite fun. And we'll be out later this week, as I said, on the E side. Anything you'd add?

David Wyshner: And just want to let you know, I do think it's fun and not just because you think it's fun.

Martin Schroeter: Okay, that's good.

Rayna Kumar: So we're close to the end of our discussion. So just one final question from me. What are you both most excited about for the future of Kyndryl? And is there anything you think investors are missing about your story?

Martin Schroeter: I'll go first. I don't want to influence your -- you want to go --?

David Wyshner: No, go ahead.

Martin Schroeter: Okay. Look, I think this is 90,000 people doing the most critical IT work, who have done a phenomenal job over the years in building trust with customers. And the opportunity in front of us as we now move into a bigger market, as we take advantage of that freedom of action, is very exciting from a customer standpoint, but is also, quite frankly, very exciting from a value creation standpoint. I think we have an opportunity to build the world's premiere services brand. I think we have an opportunity to build true services culture. And I think that'll create a lot of value for customers, and I think it'll create a lot of value for our shareholders.

And sort of at the heart of this, you can already see it in what we can do for our customers in the form of our blueprint accounts. Those relationships today are quite powerful. We make a fair bit of money. They're very rewarding from our team's perspective because of the nature of the work they get to do for our customers. And very rewarding as we move into that ecosystem that matters for our team's ability to build new skills and to really go to kind of the leading edge of what infrastructure can do. And from a value creation standpoint, we can already see how positive that is from a shareholder perspective. We have a lot of work to do on the focus accounts, as I said, but I think there is an opportunity to grow with those customers. I think there's an opportunity to keep investing with those customers and to get those on a good economic footing.

So I remain very excited about watching the best 90,000 infrastructure engineers on the planet deliver new innovation, take customers on a really exciting journey that allows us them to change their businesses and create a lot of value for customers and for shareholders.

David Wyshner: I couldn't agree more. The combination of being the world's leading and largest provider of infrastructure services, plus the new, broader mission that we have to play across a variety of technology ecosystems, plus the opportunity to be in a financially different spot as we deliver on our Advanced delivery and Focus Accounts and Alliances initiatives, that combination of opportunities in front of us I think is tremendously exciting.

Rayna Kumar: Wonderful. Well, Martin and David, thanks for joining us today.

Martin Schroeter: Thank you, Rayna.

David Wyshner: Thank you for having us.