kyndryl

Fourth Quarter 2021 Earnings

March 1, 2022

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 "will," "anticipate," "predict," "project," "plan," "forecast," "estimate," "expect," "intend," "target," "may," "should," "would," "could," "outlook" 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 representing management's beliefs about future events, transactions, strategies, operations and financial results, may be forward-looking statements. These statements do not guarantee future performance and speak only as of the date they are made, and the Company does not undertake to update its forward-looking statements. 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: risks related to the Company's recent spin-off from International Business Machines Corporation ("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; 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 Information Statement included as Exhibit 99.1 to the Registration Statement on Form 10 filed with the Securities and Exchange Commission (the "SEC") on October 12, 2021 , as such factors may be updated from time to time in the Company's periodic filings with the SEC.

Pro forma financial information

This presentation 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 SEC that contain pro forma information prepared in accordance with Regulation S-X under the Securities Act.

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 margin, adjusted pretax margin, pro forma adjusted free cash flows, constant currency, pro forma adjusted pretax income, pro forma adjusted EBITDA, pro forma adjusted EBITDA margin and proforma adjusted pretax margin, 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 individual components of such non-GAAP reconciliation are not currently available without unreasonable effort. For the same reasons, we are unable to address the probable significance of the unavailable information, which could be material to future results.

Martin Schroeter

Chairman and Chief Executive Officer

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Key highlights

Successfully completed our spin-off and expanded our addressable market

Delivered fourth quarter results in line with expectations

Announced significant new partnerships with key technology providers

Expanded existing relationships and signed new customers

Further enhanced our service levels and customer satisfaction

Implementing three major initiatives to drive growth and profitability

Our independence unlocks a large and growing addressable market

Market trends are producing industry tailwinds

Growing demand for digital transformation services

Ongoing migration to the cloud

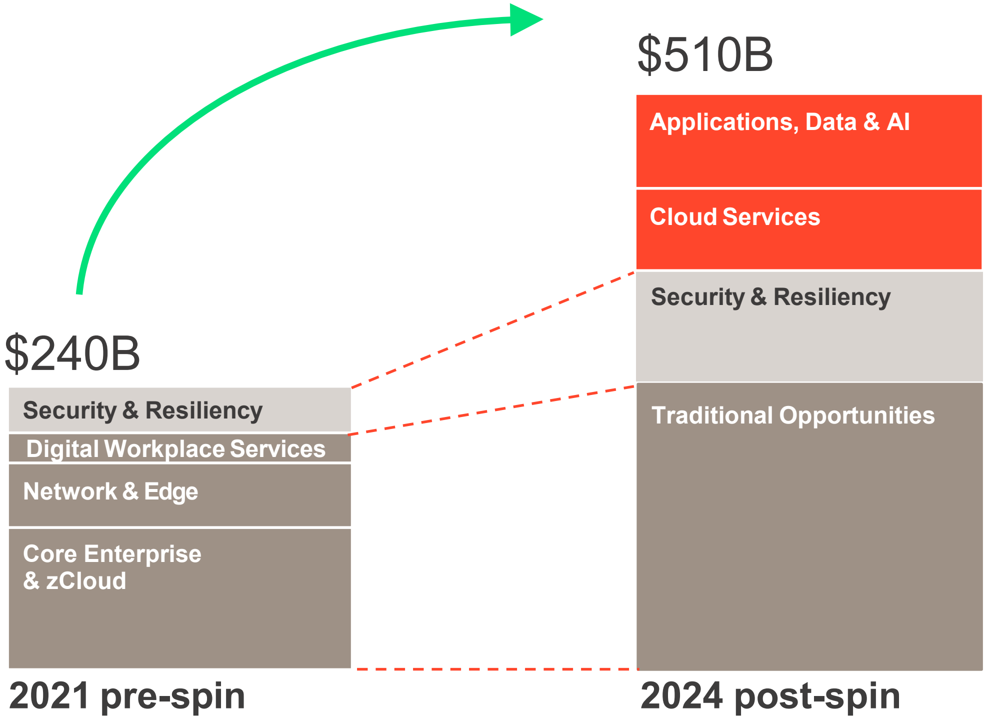
Increasing need for secure systems

Rapid data growth

Accelerating pace of technological advancement

Robust demand for technology services and outsourced infrastructure

Becoming independent changes Kyndryl's mission



Kyndryl's addressable markets

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

We are transforming Kyndryl

Building on our existing strengths

- World's **largest** infrastructure services provider
  - Operations in 63 countries
  - Global delivery network
- **Unrivaled** expertise in designing, building, managing and modernizing complex, **mission-critical** information systems
- Outstanding customer service and **customer satisfaction**
  - Top-tier NPS
  - 99.7% SLA achievement

+

Benefiting from our "new freedom"

- New ability to be **provider-agnostic** in designing solutions
- Now free to partner with hyperscalers, ISVs, systems integrators and others
- Combining market-leading IP and data to offer a compelling, unified **services delivery platform**
- Better positioned to advance customers' digital transformations

+

Focusing on *profitable* growth

- Structuring relationships to provide margins and ROI **to Kyndryl**
- Re-optimizing contracts
- Investing in skills to grow advisory & implementation services
- Developing broader capabilities around more technologies to allow us to **grow** our share of wallet once again

Kyndryl is migrating from being an IBM-centric services provider to serving organizations' expanding, multi-vendor technology needs

New opportunities with partners and customers

Microsoft

- Landmark global strategic partnership in service of enterprise customers
- The companies will together bring to market state-of-the-art solutions built on the Microsoft Cloud

Google Cloud

- Global strategic partnership focused on accelerating customers' digital transformations and helping them become more advanced, data-driven and sustainable businesses

aws

- Strategic partnership bringing together expertise, skills and global resources to help customers transform their businesses
- Developing an accelerator for VMware Cloud on AWS

Raytheon Technologies

- Agreement to modernize Raytheon's digital technology environment via the hybrid cloud, expanding Kyndryl's engagement
- Will drive efficiencies and technology innovation while helping Raytheon reduce its data center footprint by 60%

SAP

- Kyndryl achieved SAP certification for operations capabilities in global cloud and infrastructure operations, signifying best-in-class proficiency

vmware

- Expansion of strategic partnership focused on app modernization and multi-cloud services
- Joint Innovation Lab will spearhead and drive delivery model innovations for customers

NOKIA

- Global network and edge computing alliance aimed at helping enterprise customers accelerate their digital transformations with reliable and secure LTE and 5G private wireless networking

الاتحاد ETIHAD AIRWAYS

- Multi-year agreement to accelerate Etihad's digital transformation journey
- Kyndryl will modernize company's IT infrastructure by facilitating the use of cloud platforms

Customer example: Our transformation unlocks revenue growth opportunities

Our Practices	Starting point Annual revenue	Without spin Annual revenue		With our "new freedom" Annual revenue	
Core Enterprise & zCloud	$100M	$80M	Some workloads moving to hyperscalers	$80M	Workloads moving to hyperscalers (no change)
Cloud	—	$6M	New services needed to support workloads across platforms	$9M	Add multicloud management (additional revenues)
Security & Resiliency	—	$9M	Growth in resiliency services	$9M	Resiliency services (no change)
Applications, Data & AI				$4M	Data integration and governance (new revenue)
Digital Workplace Services				$2M	Automated workplace support (new revenue)
Network & Edge				$3M	Network transformation (new revenue)
Total revenue	**$100M**	**$95M**	**Declining revenue due to limited capabilities**	**$107M**	**Growing revenue due to entry into full market ecosystem**

Due to limited investment and lack of ecosystem, we could not fully participate in our customer's digital transformation journey

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Please note that this is a stylized example; numbers are provided for illustrative purposes only

We are focused on clear, important and achievable strategic objectives

Pre-spin		Medium-term
Limited partnerships with hyperscalers, ISVs and systems integrators	→	Extensive, integrated IT ecosystem
20% of employees have cloud-related certifications, mostly related to IBM	→	50% of employees have cloud-related certifications, significantly related to hyperscalers
Advisory & implementation services are ~10% of revenue	→	Advisory & implementation services are ~15% of revenue
Declining revenues	→	Revenue growth by 2025
~15% adjusted EBITDA margins	→	High-teens adjusted EBITDA margins

We have identified three major initiatives to drive our progress

Alliances

Driving signings, certifications and revenues with our new ecosystem partners and capabilities

Advanced Delivery

Transforming service delivery through upskilling and automation

Accounts

Addressing elements of the business with substandard margins

Major initiatives

Alliances

Driving signings, certifications and revenues
with our new ecosystem partners and capabilities

Opportunity

- Revenue growth through ecosystem partners
- Increase in “share of wallet” with existing customers because of our expanded capabilities
- Ability to attract new customers because we can now be “technology-agnostic”

Action steps

- Develop new joint solutions to power our customer outreach and drive advisory, implementation and managed services revenues
- Rapidly expand training and upskilling of our employees
- Build sales capabilities to support new solution offerings

Fiscal year ’23 milestones

- ~$1 billion in signings tied to hyperscalers, virtually all incremental
- Continue to increase hyperscaler certifications at Kyndryl from 16,000 at year-end 2021
- $200 million of annualized revenue from signings tied to new ecosystem partners

Milestones are for the twelve months ending March 31, 2023 (our new fiscal year)

Major initiatives

Advanced Delivery

Transforming service delivery through upskilling and automation

Opportunity

- Upskilling and automation enhance delivery quality
- Frees up experienced professionals to serve new revenue streams

Action steps

- Implement advanced tooling and processes across more than 200 of our larger customers to drive efficiency and delivery quality
- Re-skill and redeploy employees to new revenue opportunities
- Identify additional customers with similar delivery environments

Fiscal year ’23 milestones

- Redeploy to serve new sources of revenue
- Enhance delivery quality and reduce operational risk for customers
- Eliminate ~$200 million in annualized cost

Milestones are for the twelve months ending March 31, 2023 (our new fiscal year)

Major initiatives

Accounts

Addressing elements of the business with substandard margins

Opportunity

- Turn around revenue streams that are generating substandard margins
- Over time, this represents a ~$800 million pretax profit opportunity

Action steps

- Engage constructively to adopt new solutioning and deliver additional value to enhance margins
- Ensure that new contracts will generate acceptable ROI and margins
- Address low or negative margin elements of some contracts

Fiscal year ’23 milestones

- Deliver $75 million of in-year benefit and enter fiscal year ’24 with a $200 million annualized run-rate

Milestones are for the twelve months ending March 31, 2023 (our new fiscal year)

Margin expansion opportunities

Alliances

Driving signings, certifications and revenues with our new ecosystem partners and capabilities

plus

Evolving business mix, including more advisory & implementation services

Advanced Delivery

Transforming service delivery through upskilling and automation

plus

Lower asset intensity, reducing depreciation expense

Accounts

Addressing elements of the business with substandard margins

plus

Expense management

Our initiatives and margin opportunities will drive stronger financial results in fiscal year 2023 and beyond

Strong commitment to ESG principles

Environment

- Establish Kyndryl's baseline, systems and processes to track and validate environmental impact
- Manage climate risk by working to set net zero goals and align with TCFD framework
- Build baseline and set carbon, waste and water reduction goals aligned to international standards
- Source 75%+ data center electricity from renewable sources in the medium term

Commit to sustainable business practices and operations

Social

- Execute human capital strategy to attract, retain and motivate our workforce
- Increase overall and executive representation of our workforce, in alignment with the diversity of the communities in which we operate, and ensure an inclusive work environment
- Build Kyndryl's corporate social responsibility practice centered around employee engagement

Lead in human capital, inclusion, diversity & equity, and corporate social responsibility

Governance

- Establish Board oversight of ESG issues and commit to maintaining a diverse Board, in line with leading practices
- Publish ESG report to highlight commitments and progress toward goals
- Create Kyndryl Trust Center to feature relevant policy positions on privacy, cybersecurity and Kyndryl's own AI ethics
- Launch ethics training globally for all employees

Operate with integrity

Establish baseline → Engage stakeholders and define goals → Track and measure → Report

David Wyshner

Chief Financial Officer

Financial overview

Fourth quarter and full-year results

Balance sheet, liquidity and free cash flow

Outlook

Fourth quarter and full-year 2021 financial highlights

($ in millions)	4Q 2020 Pro Forma	4Q 2021 Pro Forma	Full-year 2020 Pro Forma	Full-year 2021 Pro Forma
Revenue	**$4,879**	**$4,579**	**$19,096**	**$18,523**
Growth, in constant currency		(4%)		(5%)
Adjusted EBITDA	**$889**	**$667**	**$2,917**	**$2,730**
Adjusted EBITDA margin	18.2%	14.6%	15.3%	14.7%
Adjusted pretax income	**$144**	**$53**	**$67**	**$114**
Adjusted pretax margin	3.0%	1.2%	0.4%	0.6%

Fourth quarter revenue and pretax income were in line with our previous guidance

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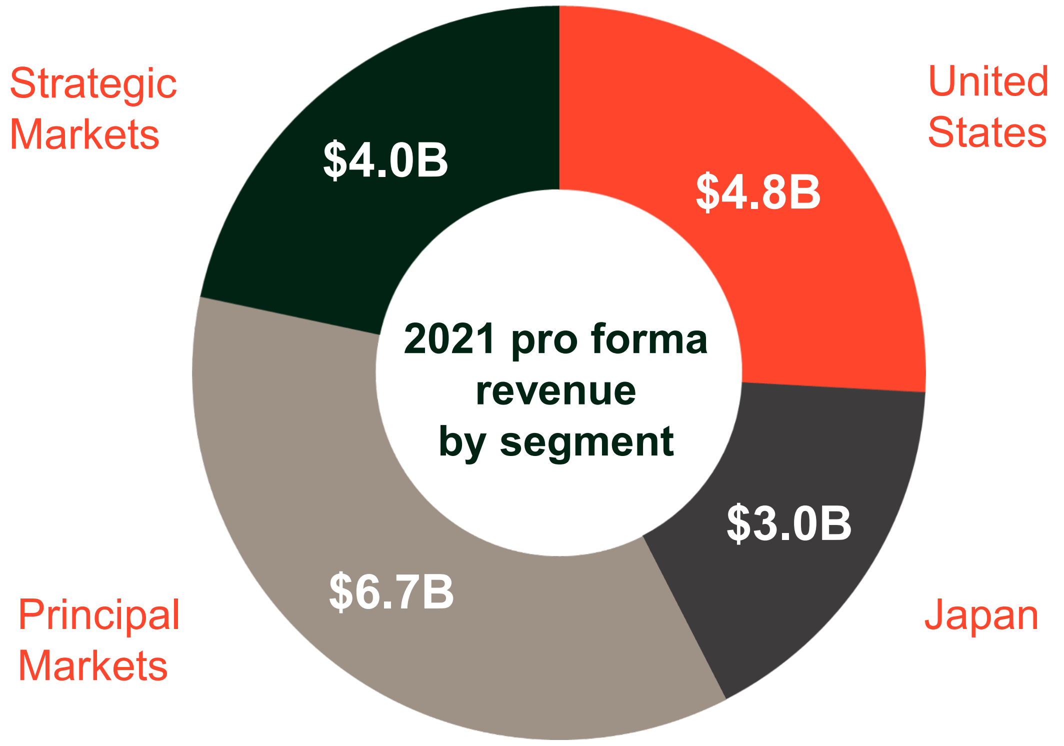
4Q 2021 signings were $4.4 billion compared to pro forma signings of $6.0 billion in 4Q 2020
Full-year 2021 signings were $13.9 billion compared to pro forma signings of $19.2 billion in full-year 2020

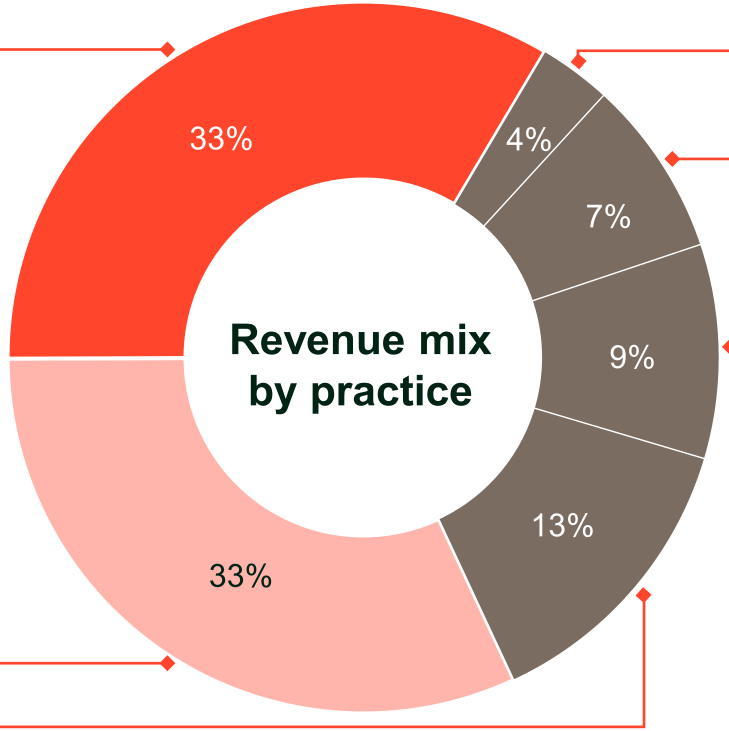
Other items related to fourth quarter results

- We have revised our reportable segments to align with our post-spin operating structure
- Our principal earnings metric for segment reporting is adjusted EBITDA
- Our reported Q4 results include $129 million of transaction-related costs due to our spin-off and a $469 million charge for impairment of our goodwill
- Going forward, our fiscal year-end will be March 31
  - We will have a transitional “stub” period for the three months ending March 31, 2022
  - Our first full fiscal year as an independent company will be the twelve months ending March 31, 2023
  - We believe this change will be better for our customers and customer relationships



Principal Markets: Operations in Australia/New Zealand, Canada, France, Germany, India, Italy, Spain/Portugal and United Kingdom/Ireland
Strategic Markets: Operations in all other geographic locations

Global practices align to market segments and growth opportunities



Cloud

- Supporting private and public cloud environments with hyperscaler alliances to help accelerate customers' digital transformations
- Single-digit growth opportunity driven by hyperscaler partnerships

Core Enterprise & zCloud

- Providing IT transformation and modernization, including mainframe and cloud ecosystem integration
- Stable revenue opportunity

Security & Resiliency

- Delivering simplified, innovative and scalable solutions across security assurance, zero trust, security operation center and response, and incident recovery services
- Single-digit growth opportunity aligned to cloud

Applications, Data & AI

- Delivering high-performance application and data environments
- Double-digit growth opportunity

Digital Workplace Services

- Modernizing solutions focused on collaboration, device management and virtualization
- Low-single-digit growth opportunity

Network & Edge

- Enabling enterprises for the next wave of cloud driven by 5G-enabled edge and networking
- Mid-single-digit growth opportunity driven by Edge

Practices mix represents preliminary estimates for next twelve months; growth opportunities are medium-term

Year-end 2021 balance sheet and cash flow metrics

$5.4B

Available liquidity[1]

$3.2B

Debt

$2.2B

Cash

0.4x

Net leverage[2]

$(119M)

Cash flow from operations

(full-year 2021)

$904M

Pro forma adjusted free cash flow[3]

[1] Consists of $2.2 billion of cash and $3.2 billion of undrawn senior unsecured credit facility
[2] Net debt / pro forma adjusted EBITDA
[3] See appendix for reconciliation of non-GAAP metrics

Outlook

	First Quarter 2022 Outlook (transition period January – March 2022)	Fiscal Year 2023 Trend[1] (year ending March 31, 2023)
Signings	• Double-digit year-over-year growth	• Double-digit year-over-year growth
Revenues	• ~(5)% growth in constant currency[2]	• Approximately 85% of our revenue will come from existing contracts
Adjusted EBITDA margin	• 12% – 13%	• Similar to 2020 and 2021 (pro forma)
Adjusted pretax margin	• ~(1)%	• Similar to 2020 and 2021 (pro forma)
Investments	• ~$200 million of capital expenditures	• ~$850 million of capital expenditures
Use of cash for non-operating items[3]	• ~$110 million	• We expect to use ~$450 million of cash for transaction-related costs

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[1] Fiscal year 2023 outlook to be provided in May 2022
[2] 1Q22 currency impact of (3) – (4) points expected; comparisons are versus pro forma first quarter 2021 revenues
[3] Primarily post-separation systems migration costs, re-branding costs and outlays related to a broad-based employee retention program implemented by IBM

Over the medium term, our initiatives will contribute to profit growth

	Alliances	Advanced Delivery	Accounts	plus
	Driving signings, certifications and revenues through our new ecosystem partners	Transforming service delivery through upskilling and automation	Addressing elements of the business with substandard margins	A&IS growth, growth in practices, expense management, etc.
Signings	✓			✓
Revenues	✓		✓*	✓
Cost savings		✓		✓
Pretax income	✓	✓	✓	✓
Medium-term annual pretax opportunity	**$0.2B**	**$0.6B**	**$0.8B**	**$0.4B**

We will provide updates on these initiatives, which will more than offset $600M in increased IBM software costs

Medium-term opportunity will be partially offset by three increases in annual IBM software costs of $200 million each
*May include positive impacts from expanded scope and increased pricing and reductions from terminated contracts

Our initiatives will deliver substantial incremental profits over time

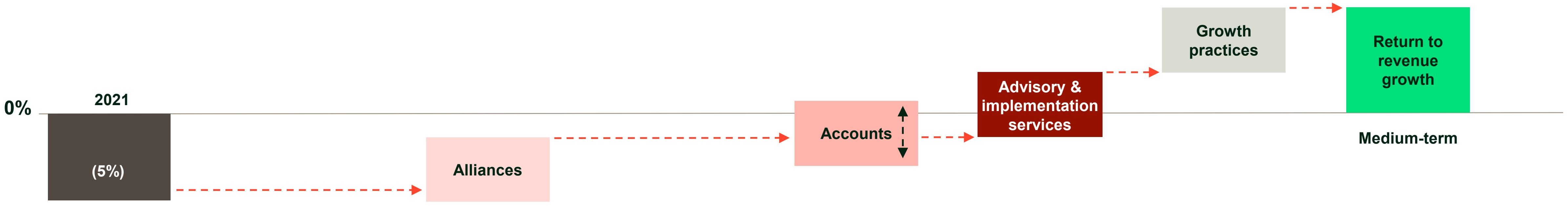
	Fiscal year 2024: Starting run-rate	Fiscal year 2023: In-year benefits	Medium-term annual amounts
Gross pretax benefit from initiatives	$0.5B	$0.2B	$2.0B
Impact of higher IBM software costs	($0.2B)	($0.05B)	($0.6B)
Net pretax benefit from initiatives	**$0.3B**	**$0.15B**	**$1.4B**

The run-rate of annual benefits at year-end will exceed the in-year earnings impact as we ramp up our initiatives

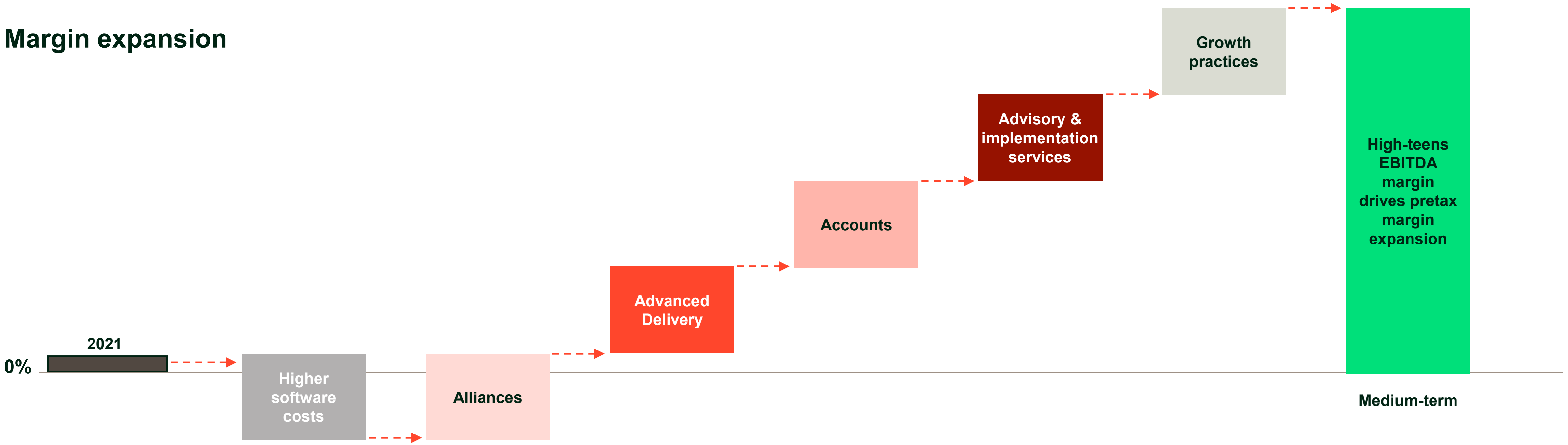
Fiscal year 2023 is the twelve months ending March 31, 2023

Our strategies will help us deliver revenue and profit growth in the medium term

Revenue growth

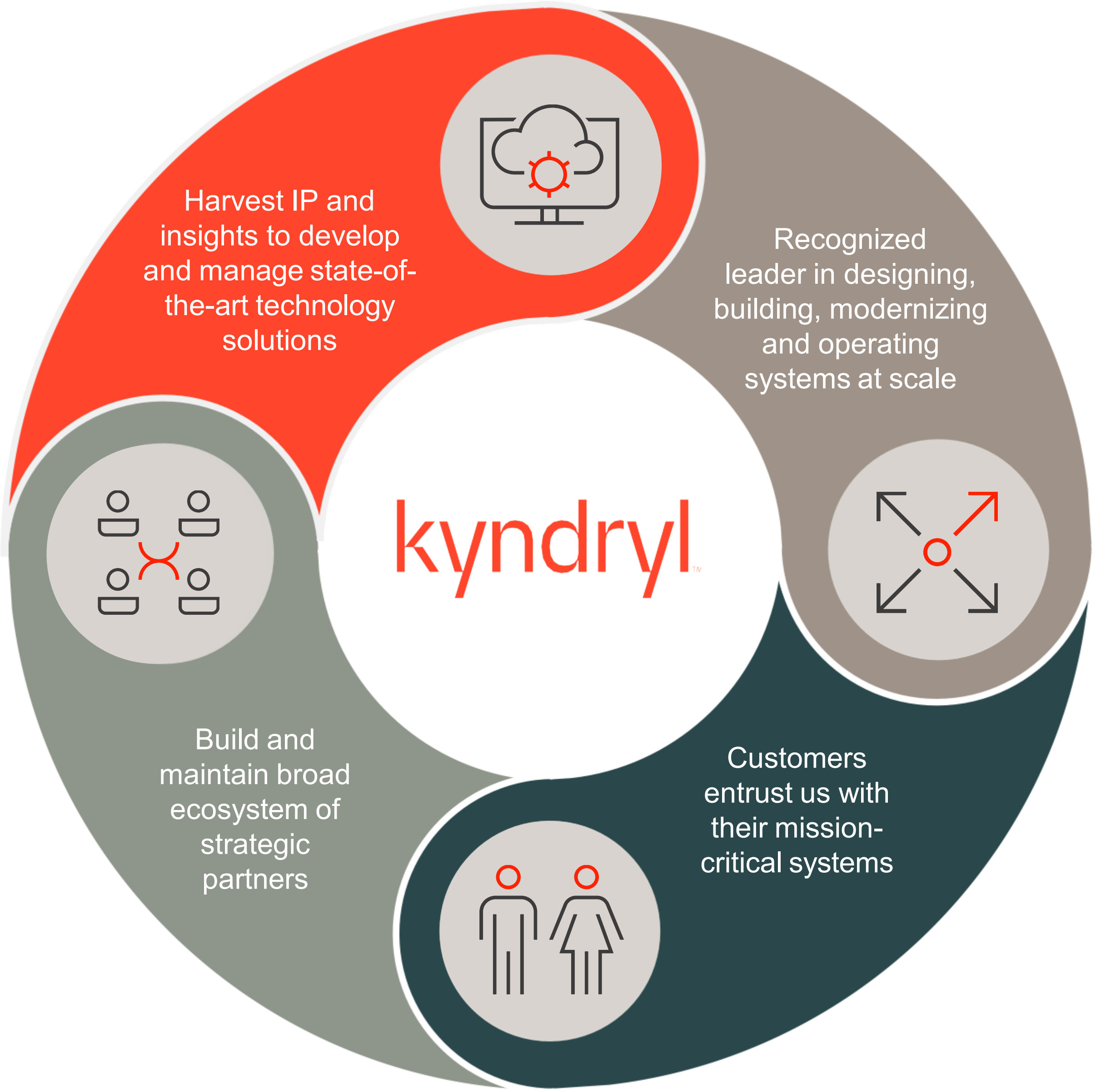


Margin expansion



Revenue growth and margin expansion box sizes not drawn to scale

Our strategic flywheel



Martin Schroeter

Chairman and Chief Executive Officer

Investment highlights

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

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Appendix

Accolades

Our services

Financial charts

Definitions and rationale for non-GAAP metrics

Reconciliation of non-GAAP metrics

Recent accolades highlight strong performance and customer satisfaction

- Best Partnership (Kyndryl and Microsoft), 2021

- Leader in cognitive & self-healing IT infrastructure management, 2021

- 2021 Global Enabling Technology Leadership Award in the managed enterprise resource planning market

- Systems Integrator Innovator of the Year (Kyndryl’s Digital Workplace Practice), 2021

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

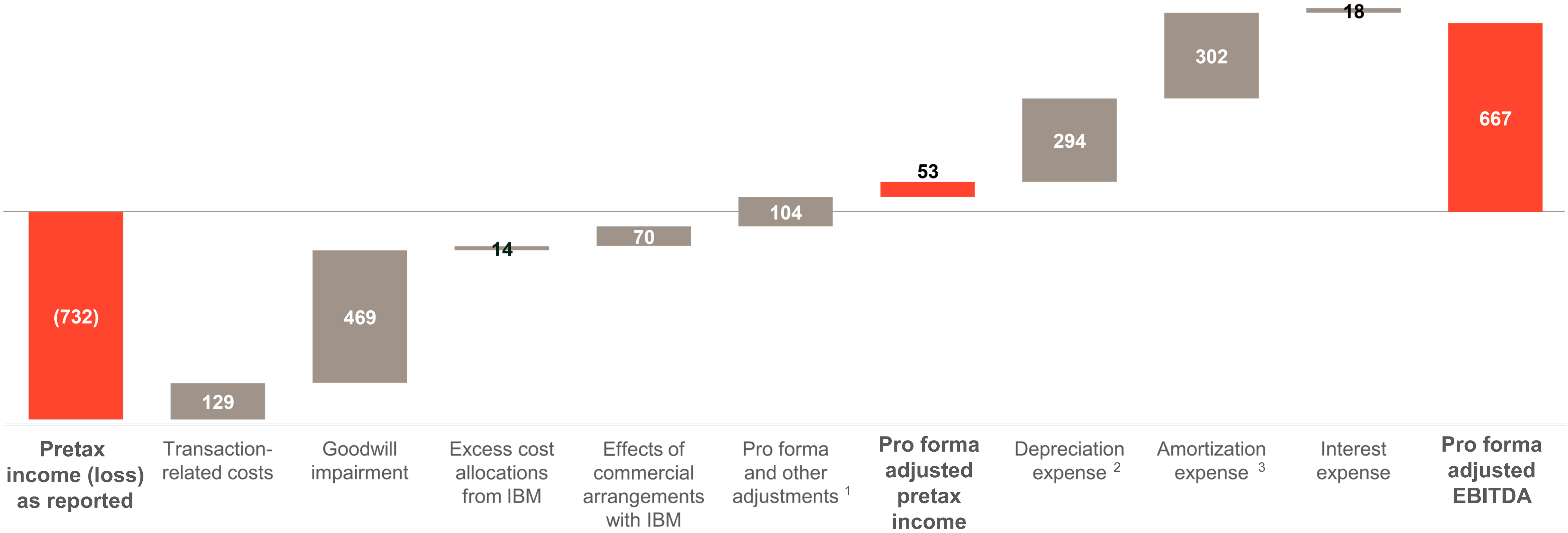
- Leader in the global managed cloud services market, 2021

Our services

Practice	Overview	Services
Cloud	Delivering seamless, integrated, multicloud management in a hybrid model	• Design, build and provide managed services for multicloud environments • Lead end-to-end cloud-native transformation, plus strategic development, security and operations services, on-premise or in-cloud
Core Enterprise & zCloud	Providing secure, unified and fault-tolerant mainframe services for our customers' core infrastructure	• Establish and operate modern technology infrastructure for customers • Support a range of enterprise infrastructure including private clouds, mainframes, distributed computing, enterprise networks and storage environments
Digital Workplace	Enhancing user experience and work location flexibility by providing a consumer experience to employees	• Support an evolving global workforce by automating IT services for end users • Run proactive self-heal capabilities, predictive practices to optimize device management, and support services to ensure a smooth user experience
Applications, Data & AI	Providing full application platform hosting and expert assistance for application modernization	• Provide data transformation, data architecture and management, data governance and compliance, and data migration services • Design, build, manage and automate IT environments for cloud migration
Network & Edge	Providing unified network services for cloud and data center connectivity	• Evaluate customers' network needs for multicloud environments • Help meet technological and commercial requirements for connectivity and compute across customers' digital environments, leveraging emerging network technology
Security & Resiliency	Delivering full line of cybersecurity, business continuity and disaster recovery services to help customers continuously adapt to new threats and regulatory standards	• Offer insights, protection, detection, response and recovery to support security of our customers' hybrid IT real estate, data and operations • Allow customers to operate without disruption in response to attacks and outages

Fourth quarter 2021 pro forma adjusted pretax income and EBITDA

($ in millions)



[1]Effects of amortization of intangible assets, stock-based compensation, pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs, workforce rebalancing charges and foreign currency impacts of highly inflationary countries

[2]Excludes depreciation of right-of-use assets and the portion of the IBM business that was conveyed to Kyndryl and ongoing effects of the Separation-related transactions

[3]Excludes amortization of capitalized contract costs

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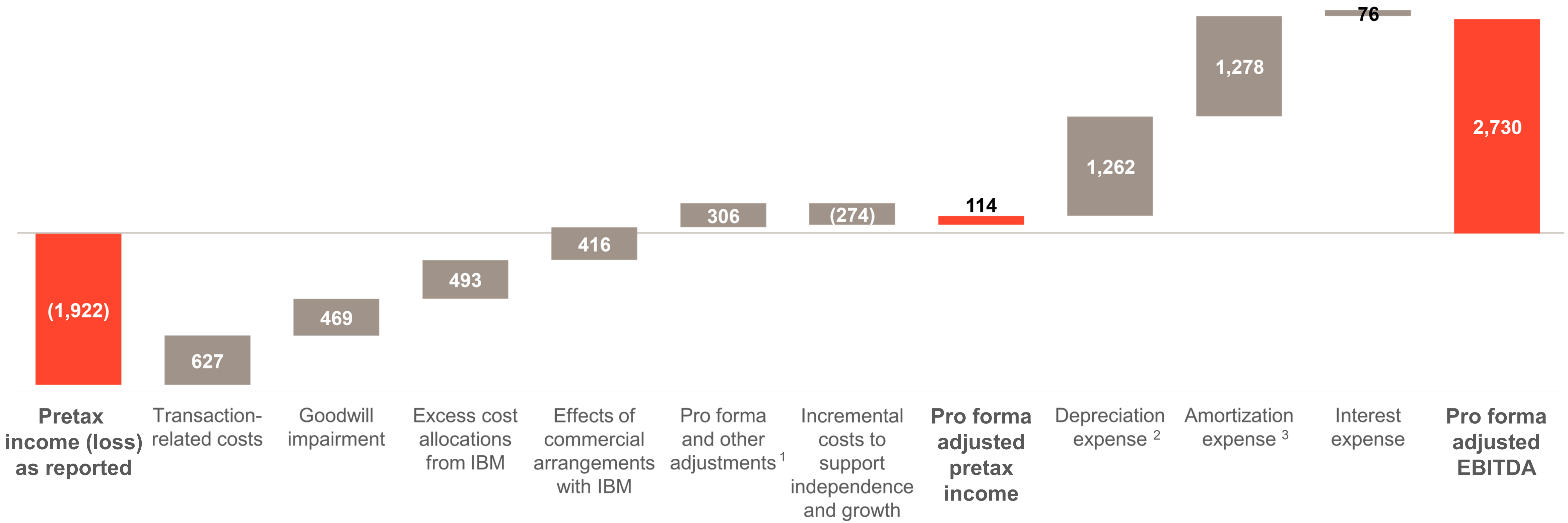
Full-year 2021 pro forma adjusted pretax income and EBITDA

($ in millions)



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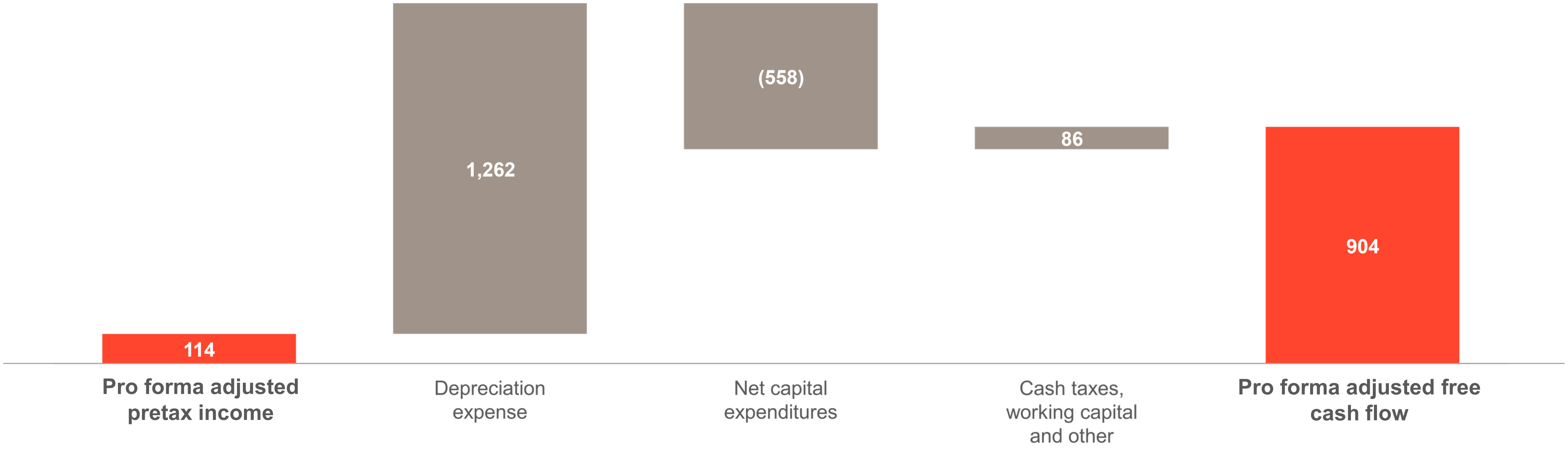
Full-year 2021 pro forma adjusted free cash flow

($ in millions)



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Definitions and rationale for non-GAAP metrics

Metric	Definition
Pro forma adjusted EBITDA and pro forma 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), 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. This metric is 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 to arrive at pro forma adjusted EBITDA. Pro forma adjusted EBITDA margin is calculated by dividing pro forma adjusted EBITDA, as defined above, by pro forma revenue. Management uses pro forma adjusted EBITDA 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. Pro forma adjusted EBITDA 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.
Pro forma adjusted pretax income and pro forma pretax margin	Pro forma adjusted pretax income is defined as pretax income excluding transaction-related costs, amortization of intangible assets, 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. This metric is 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 pro forma pretax income and pro forma pretax margin to evaluate our performance. Management also uses it when publicly providing our business outlook. We believe pro forma adjusted pretax income and pro forma 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. Pro forma adjusted pretax income and pro forma adjusted pretax margin eliminate the impact of expenses that do not relate to core business performance. Additionally, this metric reflects the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the spin-off related transactions. Pro forma adjusted pretax income is a financial measure that is 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.
Pro forma adjusted free cash flow	Pro forma adjusted free cash flow is defined as cash flow from operations after adding back transaction-related costs, workforce rebalancing payments, adjustments related to post-Separation commercial pricing agreements with IBM, the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions less net capital expenditures. Management uses pro forma 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. Pro forma 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.
Pro forma signings	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 believes that the estimated value of signings provide insight into the Company's potential future revenue, and 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, as well as views signings as useful decision-making information for investors.

Reconciliation of non-GAAP metrics

($ in millions)

Reconciliation of historical revenue to pro forma revenue

	1Q 2021	1Q 2020	Year-over-year Change
Historical revenue (GAAP)	**$4,771**	**$4,832**	**(1%)**
Pro forma adjustments*	(63)	(72)	
Pro forma revenue	**$4,709**	**$4,760**	**(1%)**
*Pro forma revenue in constant currency***			*(5%)*
	4Q 2021	**4Q 2020**	**Year-over-year Change**
Historical revenue (GAAP)	**$4,556**	**$4,927**	**(8%)**
Pro forma adjustments*	23	(48)	
Pro forma revenue	**$4,579**	**$4,879**	**(6%)**
*Pro forma revenue in constant currency***			*(4%)*
	Full-year 2021	**Full-year 2020**	**Year-over-year Change**
Historical revenue (GAAP)	**$18,657**	**$19,352**	**(4%)**
Pro forma adjustments*	(134)	(256)	
Pro forma revenue	**$18,523**	**$19,096**	**(3%)**
*Pro forma revenue in constant currency***			*(5%)*

* Adjustments to reflect the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions.

** 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

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Reconciliation of non-GAAP metrics (continued)

($ in millions)

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

	4Q 2021	1Q 2021	4Q 2020	Full-year 2021	Full-year 2020
Net income (loss) (GAAP)	**($740)**	**($494)**	**($719)**	**($2,319)**	**($2,011)**
Plus: Provision for income taxes	8	91	2	397	246
Pretax income (loss)	**($732)**	**($403)**	**($716)**	**($1,922)**	**($1,766)**
Non-operating adjustments (before tax)					
Workforce rebalancing charges	(1)	52	563	39	918
Transaction related costs	129	55	21	627	21
Stock-based compensation expense	18	16	17	71	64
Goodwill impairment	469	-	-	469	-
Excess costs allocations from IBM	14	154	195	493	591
Effects of post-Separation commercial agreements with IBM	70	118	123	416	501
Incremental costs to support independence and growth	-	(94)	(94)	(274)	(375)
Pro forma and other adjustments*	86	39	35	196	113
Pro forma adjusted pretax income	**$53**	**($64)**	**$144**	**$114**	**$67**
Pro forma adjusted pretax margin	*1.2%*	*(1.4%)*	*3.0%*	*0.6%*	*0.4%*
Interest expense	18	20	19	76	77
Depreciation expense	294	327	352	1,262	1,395
Amortization expense	302	323	373	1,278	1,379
Pro forma adjusted EBITDA	**$667**	**$605**	**$889**	**$2,730**	**$2,917**
Pro forma adjusted EBITDA margin	*14.6%*	*12.9%*	*18.2%*	*14.7%*	*15.3%*
Pro forma revenue	**$4,579**	**$4,709**	**$4,879**	**$18,523**	**$19,096**

* Pro forma and other adjustments include amortization of intangible assets, 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 non-GAAP metrics (continued)

($ in millions)

Reconciliation of historical cash flow from operations to pro forma adjusted free cash flow

	Full-year 2021
Historical cash flow from operations (GAAP)	**($119)**
Plus: Workforce rebalancing payments	370
Plus: Pro forma adjustments*	697
Plus: Transaction-related costs**	514
Pro forma adjusted cash flow from operations	**$1,462**
Less: Net capital expenditures	(558)
Pro forma adjusted free cash flow	**$904**

Numbers may not add due to rounding

* Pro forma adjustments reflect effects of excess cost allocations from our former Parent, post-Separation commercial pricing agreements with IBM, and the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions.

** Transaction-related costs primarily relate to post-separation systems migration costs, re-branding costs and costs related to employee retention program implemented by our former Parent

Signings

($ in billions)

Reconciliation of historical signings to pro forma signings

	1Q 2021	4Q 2021	4Q 2020	Full-year 2021	Full-year 2020
Historical signings	**$2.5**	**$4.4**	**$5.7**	**$13.5**	**$17.8**
Pro forma adjustments*	0.1	-	0.3	0.4	1.4
Pro forma signings	**$2.6**	**$4.4**	**$6.0**	**$13.9**	**$19.2**

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* Adjustments to reflect the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions.