Fiscal Third Quarter 2023 Earnings

February 8, 2023

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 February 8, 2023, 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 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the Securities and Exchange Commission (the “SEC”) on March 10, 2022, 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, adjusted pretax income, adjusted EBITDA margin, adjusted pretax margin, adjusted free cash flow, constant currency, pro forma adjusted pretax income, pro forma adjusted EBITDA, pro forma adjusted EBITDA margin and pro forma 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. Additionally, certain amounts may not add due to the use of rounded numbers; percentages presented are calculated based on the underlying amounts.

Martin Schroeter

Chairman and Chief Executive Officer

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Key highlights

Performance
Quarterly results demonstrate progress

Looking ahead
Raising revenue outlook for fiscal year 2023*

Future objectives
On track toward our medium-term goals

Alliances
Partnerships creating new business opportunities

Advanced Delivery
Quality, cost benefiting from incremental automation

Accounts
Enhancing existing relationships

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* Fiscal year 2023 is the twelve months beginning April 1, 2022 and ending March 31, 2023

Building on our position as the world's leading IT infrastructure services provider

Mission-critical services

World's largest IT infrastructure services provider

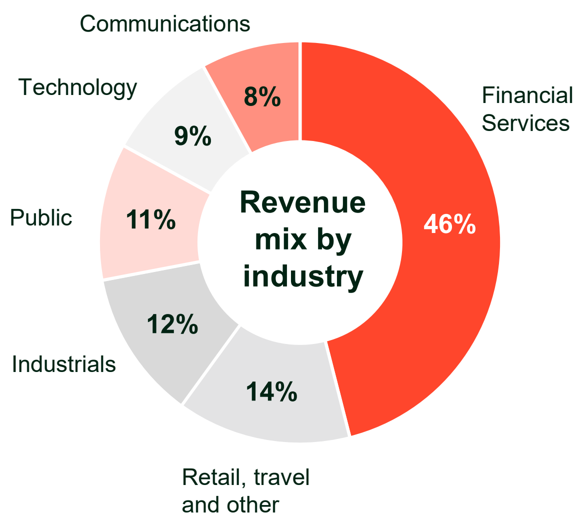
30+ years mission-critical systems experience

Operations in **63 countries** on six continents

Industry-leading know-how, scale and capabilities

Solid financial footing to execute our strategy

Diversified sources of revenue



Transforming our business mix through our six practices

Practice	Revenue	Signings
Cloud	33% ↗	**35%**
Security & Resiliency	13% ↗	**14%**
Network & Edge	8% ↗	**9%**
Applications, Data & AI	4% ↗	**7%**
Digital Workplace	8% ↗	**9%**
Core Enterprise & zCloud	33%	**27%**
Total	100%	**100%**

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

Signings and approximate revenue based on twelve months ended December 31, 2022
Industry revenue mix is approximate

Progress on our three major initiatives

Alliances

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

~$750M

Of hyperscalers signings, fiscal year-to-date
($425M as of last quarter, $1B full-year target)

15,000+

New cloud certifications in calendar year 2022
(total hyperscaler certifications up 98% year-over-year)

Advanced Delivery

Transforming service delivery through upskilling and automation

4500+

Kyndryls freed up in calendar year 2022
(3000+ for nine months ended September)

$225M+

Annualized savings from automation
($150M last quarter, $200M full-year target)

Accounts

Addressing elements of the business with substandard margins

$32M

Profit improvement in the quarter
($20M last quarter)

$130M

Annualized profit improvement
($80M last quarter, $200M full-year target)

$149M

Annualized profit improvement, excluding currency impact[1]

We have strong momentum toward our fiscal year 2023 targets

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Milestones are for the fiscal year beginning April 1, 2022 and ending March 31, 2023
[1] Compared to exchange rates at the start of our fiscal year

Three-A's creating value for customers and driving our business performance

Alliances

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

$170M
New relationship with a services organization to migrate and manage workloads on a modern hybrid cloud infrastructure

$19M
Expanded relationship with an insurance company to grow its cloud migration and provide managed services

$14M
Expanded relationship with an industrial manufacturer for digital transformation of IT infrastructure with agility, security and resiliency

Advanced Delivery

Transforming service delivery through upskilling and automation

76%
Increase in resiliency for a consumer products company, enhancing system stability and availability

$15M
Incremental annual revenue from expanded scope related to network and edge automation for a global industrial company

24%
Reduction in staffing needed to serve an energy services company through automation and new ways of working (105 free-ups)

Accounts

Addressing elements of the business with substandard margins

29%
Gross margin, a 50-point increase, by re-scoping of our contract with a transportation company

19%
Gross margin, a 25-point increase, through delivery efficiencies, automation, scope changes and contract extension with a manufacturer

$25M
Gross profit increase over duration of our previous contract with a technology company by renegotiating terms prior to expiration

We have strong momentum toward our fiscal year 2023 targets

IT trends driving customer demand

Resiliency and **cyber security** a **top concern** – not just a technology risk

Companies **embracing distributed cloud** approaches and cloud **networking**

Evolution of **AI** and need for greater **data optimization**[1]

Mainframe continues to play **critical role** in hybrid cloud strategies

Personalized digital employee experiences becoming **essential** for hybrid work

5G private wireless use cases expanding

We are uniquely positioned to help our customers address evolving, complex IT challenges

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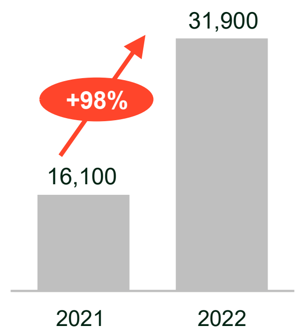
[1] For both operations and go-to-market activities

Advancing Kyndryl’s strategy through global alliances with leading providers

Pre-spin	Post-spin	Early 2022	Throughout 2022	Now
IBM “captive”	Expand into cloud hyperscalers	Form alliances with top-tier technology providers*	Skill-building	Customer engagement and signings
IBM	Microsoft Google Cloud aws	cisco DELL ORACLE Red Hat SAP vmware		



Hyperscaler certifications

Hyperscaler pipeline

We’re transitioning from adding alliances to delivering value through our alliances and driving margin expansion

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*Other top-tier alliances include Citrix, Cloudera, Elastic, EY, Five9, Fortinet, Intel, Lenovo, NetApp, Nokia, Pure Storage, ServiceNow, Teradata and Veritas

Engaging customers with new innovations and technical expertise

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Design-led co-creation

Redefining how we **engage and co-create** with customers on new **innovative solutions** through a design-led approach

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An open integration platform

Giving our customers **real-time insights** into their complex IT estates and **unprecedented control over customizing** their mission-critical operations

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Business outcomes-led consulting

Providing our customers access to **proven expertise** to address their most vexing technology challenges

Lead with **consulting** and deep **technical expertise** to deliver **business outcomes**

Introduce **new capabilities** to capitalize on our new alliances

Activate **hyperscalers** as the **foundation** of new opportunities

Cultivate growth in **high-value areas**

Kyndryl is 'showing up differently' to meet customers' needs and capturing business in our expanded addressable market

Executing on our strategic objectives

Pre-November 2021 spin		Recent progress		Medium-term
Limited partnerships with hyperscalers, ISVs and systems integrators	→	Major hyperscaler alliances, new partnerships	→	Extensive, integrated IT ecosystem
20% employees with cloud-related certifications, mostly IBM-related	→	Reached 31,900 hyperscaler certifications and 33% of employees cloud-certified	→	50% employees with cloud-related certifications, related to hyperscalers
~10% revenue from advisory & implementation services	→	12% of revenue[1] from Kyndryl Consult and 32% signings growth[2]	→	~15% of revenue from Kyndryl Consult
Declining revenues	→	Favorable revenue trends	→	Revenue growth by calendar year 2025
Mid-teens adjusted EBITDA margins	→	Executing on three-A initiatives to drive profitable growth	→	High-teens adjusted EBITDA margins

We're advancing toward our medium-term goals, which are consistent with the targets we laid out in October 2021

[1] In the nine months ended December 31, 2022
[2] In constant currency for the nine months ended December 31, 2022 compared to pro forma signings for the nine months ended December 31, 2021

David Wyshner

Chief Financial Officer

Financial overview

Quarterly results

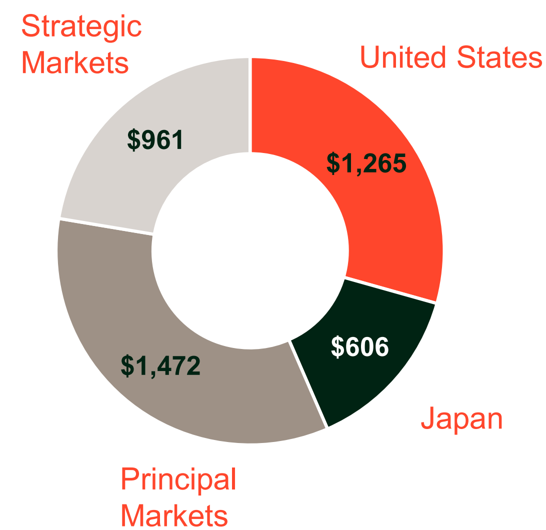
Balance sheet, liquidity and free cash flow

Outlook

Fiscal third quarter 2023 financial highlights

($ in millions)	Quarter Ended Dec. 31, 2022	Quarter Ended Sept. 30, 2022	Pro Forma Quarter Ended Dec. 31, 2021
Revenue	**$4,303**	$4,179	$4,579
Growth, in constant currency[1]	2%	2%	
Adjusted EBITDA	**$580**	$428	$679
Adjusted EBITDA margin	13.5%	10.2%	14.8%
Adjusted pretax income (loss)	**($4)**	($102)	$65
Adjusted pretax margin	(0.1%)	(2.4%)	1.4%

Quarterly revenue by segment
($ in millions)



Delivered constant-currency revenue growth with three-A's progress favorably impacting earnings and margins

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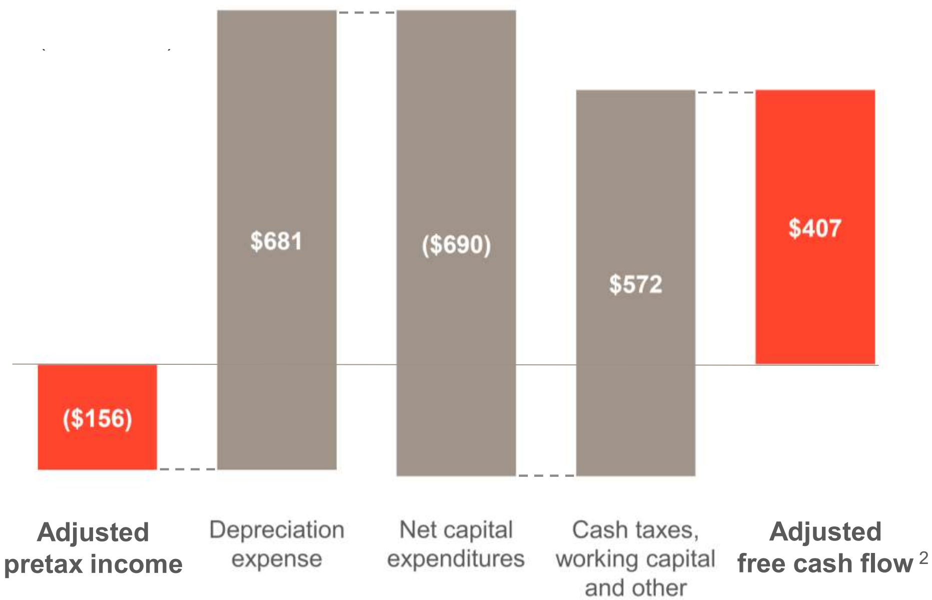
Principal Markets: Operations in Australia/New Zealand, Canada, France, Germany, India, Italy, Spain/Portugal and United Kingdom/Ireland
Strategic Markets: Operations in all other geographic locations
[1] Represents revenue growth in constant currency compared to pro forma results in prior-year period
See appendix for reconciliation of non-GAAP metrics

Fiscal 2023 year-to-date cash flow and balance sheet metrics

Adjusted free cash flow
($ in millions)



Balance sheet and cash flow metrics

$5.2B
Available liquidity[1]

$2.0B
Cash

$3.2B
Debt

$1.2B
Net debt

$769M
Cash flow from operations

We're on a solid financial footing to execute our strategy

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[1] Consists of $2.0 billion of cash and $3.2 billion of undrawn senior unsecured credit facility
[2] Adjusted free cash flow: Cash flow from operations (GAAP) $769 million, plus workforce rebalancing payments $20 million and transaction-related payments $307 million, less net capital expenditures $690 million
See appendix for reconciliation of non-GAAP metrics

Fiscal 2023 outlook

	In constant currency	Based on year-to-date exchange rates	
Revenue growth (vs. LTM)[1]	(0.5%) – 0.5%	(8%) – (7%)	• One-half point increase in our constant-currency revenue growth compared to our prior outlook • $1.3 billion or 7+ points of unfavorable currency effects year-over-year[2]
Revenue		$16.8B – $17.0B	
Adjusted EBITDA margin	12.5% – 13.5%	11% – 12%	• Currency effects of $375 million or 100 bps year-over-year[2]
Adjusted pretax margin[3]	(0.5%) – 0.5%	(2%) – (1%)	• Currency effects of $250 million or 150 bps year-over-year[2]

Increasing revenue growth and reaffirming margin outlook

[1] Revenue growth figures are based on comparison to twelve months ended March 31, 2022 on a pro forma basis; revenue growth outlook versus calendar 2021 pro forma is (2%) – (1%) in constant currency
[2] Year-over-year comparisons are to calendar 2021 pro forma results
[3] Depreciation expense projected to be ~$0.9B; amortization expense projected to be ~$1.2B; interest expense projected to be ~$0.1B
Gross capital expenditures projected to be ~$800M. ~$400M of cash projected to be used for transaction-related items, primarily post-Separation systems migration costs, re-branding costs and outlays related to a broad-based employee retention program implemented by our former parent

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

	Alliances Driving signings, certifications and revenues through our new ecosystem partners	Advanced Delivery Transforming service delivery through upskilling and automation	Accounts Addressing elements of the business with substandard margins	plus Consult growth, growth in practices, expense management, etc.
Signings	✓			✓
Revenues	✓		✓*	✓
Cost savings		✓	✓	✓
Pretax income	✓	✓	✓	✓
Medium-term annual pretax opportunity	**$200M**	**$600M**	**$800M**	**$400M**

Expected benefits will drive margin expansion

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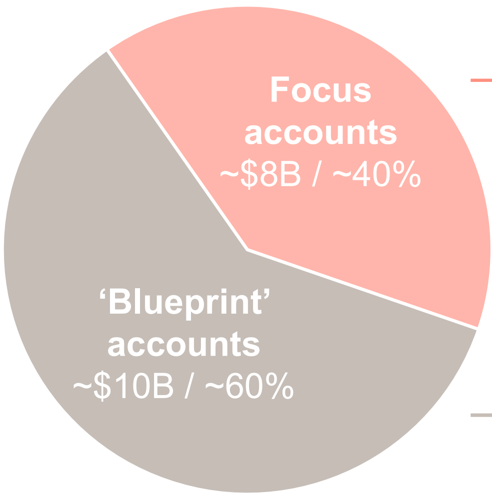
*May include positive impacts from expanded scope and increased pricing and reductions from terminated contracts or reduced scope

Transforming focus accounts into high-value ‘blueprint’ accounts

Revenue[1]



Starting point	Fiscal 2023 signings[1]	
~0% average gross margin	Low to mid-20s projected gross margin	Focus accounts driving substantial margin accretion
Mid-20s average gross margin	Mid-20s projected gross margin	Margins increasing modestly even in ‘blueprint’ accounts

We’re expanding our margins on focus accounts upon renewal and mid-contract

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[1]Revenue represents historical (GAAP) revenue for the twelve months ended March 31, 2022; fiscal 2023 signings are through December 31, 2022 and have been ~40% focus accounts and ~60% blueprint accounts
Our gross margins are approximately 15 points higher than our adjusted pretax margins

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 thousands of blue-chip enterprise customers, including most 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 annuity-like annual revenues, double-digit 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 and recognition

ESG commitment

Our services and revenue mix

Financial metrics

Definitions and rationale for non-GAAP metrics

Reconciliation of non-GAAP metrics

Customer signings, expanding relationships

Kyndryl expanded its relationship with multinational automaker Stellantis to manage core IT infrastructure and provide advanced delivery capabilities across manufacturing facilities

BT Group expanded its long-term partnership with Kyndryl to transition mainframe applications to the cloud

Banorte, a leading financial institution in Mexico, is collaborating with Kyndryl to modernize the bank's processes and enhance customers' experience

anb, a leading banking institution in Saudi Arabia, is collaborating with Kyndryl to automate disaster recovery procedures

Kyndryl is accelerating MedStar Health's digital workplace transformation and enhancing how patient care is delivered

Kyndryl expanded its relationship with Kantar to modernize its digital workplace environment and migrate mainframe applications to the cloud

Recent accolades and industry recognition

A "Strong Performer" rating in The Forrester Wave™: Cloud Migration And Managed Service Partners In China, Q4 2022

Kyndryl named a Representative Vendor for Industry Engineering Specialists and Integrators in the Gartner July 2022 Market Guide for 4G and 5G Private Mobile Networks

2022 Leader in Mainframe Modernization, Mainframe as a Service and Mainframe Operations in U.S., Canada and Europe

Innovator: *Hybrid Enterprise Cloud Services 2022–2023* RadarView report

Market Leader: *Cybersecurity Services 2022* RadarView report

2022 Leader in Cyber Security Services, including Incident Response and Backup Services, and Cyber Consulting & Strategy Construction

A Major Contender: 2022 Digital Workplace Services PEAK Matrix™ Assessment in North America & Europe

Major Player: IDC MarketScape 2022 Worldwide Cloud Professional Services Vendor Assessment

2022 Leader in Managed (SD) WAN in Network Software Defined Solutions and Services Report for the U.S.

A Leader: May 2022 Magic Quadrant™ for Managed Mobility Services report

A Major Contender: 2022 Data and Analytics Services PEAK Matrix™ Assessment

2022 Cisco Global Gold Integrator status, the highest level available

Strong commitment to ESG principles

Environment

- Announced Kyndryl's commitment to Net Zero emissions by 2040 and reducing all-scope emissions at least 50% by 2030
- Aligning operating metrics with key environmental, social and governance frameworks
- Developing Net Zero Sustainability training available to all Kyndryls
- Building certifications to systematize environmental, energy and carbon goals

Commit to sustainable business practices and operations

Social

- Launched Kyndryl Inclusion Networks (KINs) to support Black, Hispanic, LGBTQ+, People with Disabilities and Women
- Developed and published Human Rights Policy
- Centered corporate social responsibility strategy around employee engagement
- Executing human capital strategy to attract, retain and motivate our workforce

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

Governance

- Launched ethics training globally for all employees
- Provided ESG disclosures in Kyndryl's first proxy statement
- Created Kyndryl Trust Center site to feature policy positions on privacy, cybersecurity and ethics
- Preparing to publish inaugural ESG report in mid-2023 to highlight commitments and progress toward goals

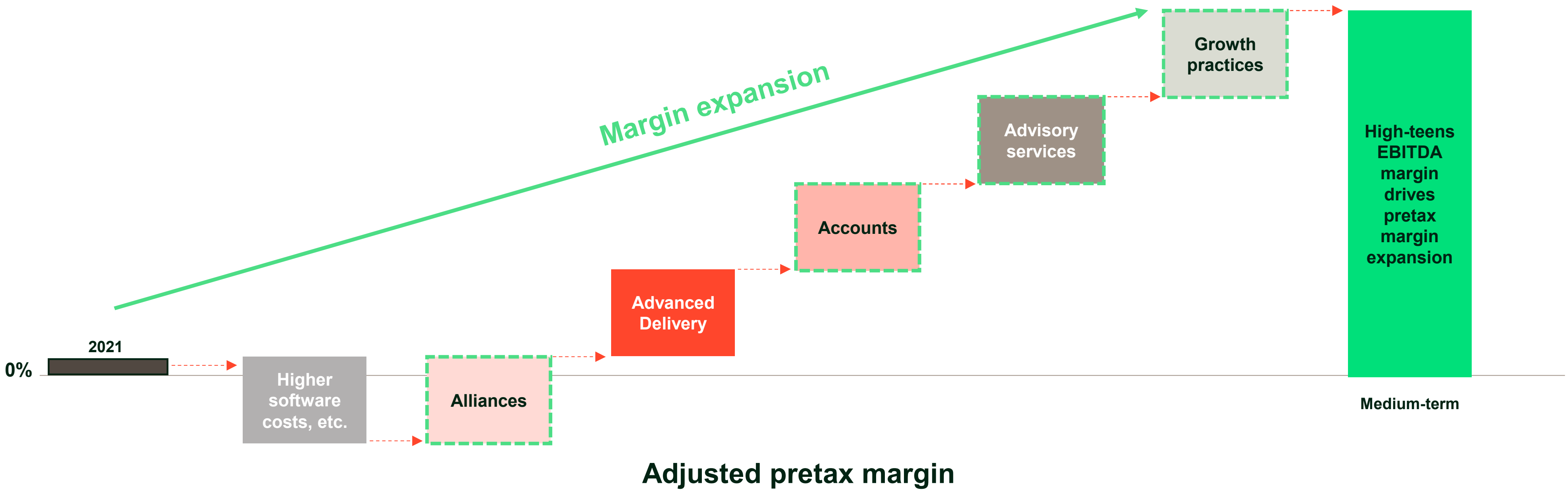
Operate with integrity

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

Our services

Practice	Overview	Medium-term revenue growth opportunity
Cloud	Delivering seamless, integrated, multicloud management in a hybrid model	Single-digit growth driven by hyperscaler partnerships
Security & Resiliency	Delivering full line of cybersecurity, business continuity and disaster recovery services to help customers continuously adapt to new threats and regulatory standards	Single-digit growth aligned to cloud
Network & Edge	Providing unified network services for cloud and data center connectivity	Mid-single-digit growth driven by Edge
Applications, Data & AI	Providing full application platform hosting and expert assistance for application modernization	Double-digit growth
Digital Workplace	Enhancing user experience and work location flexibility by providing a consumer experience to employees	Low-single-digit growth
Core Enterprise & zCloud	Providing secure, unified and fault-tolerant mainframe services for our customers' core infrastructure	Stable revenue

Our strategies will drive revenue and profit growth in the medium term

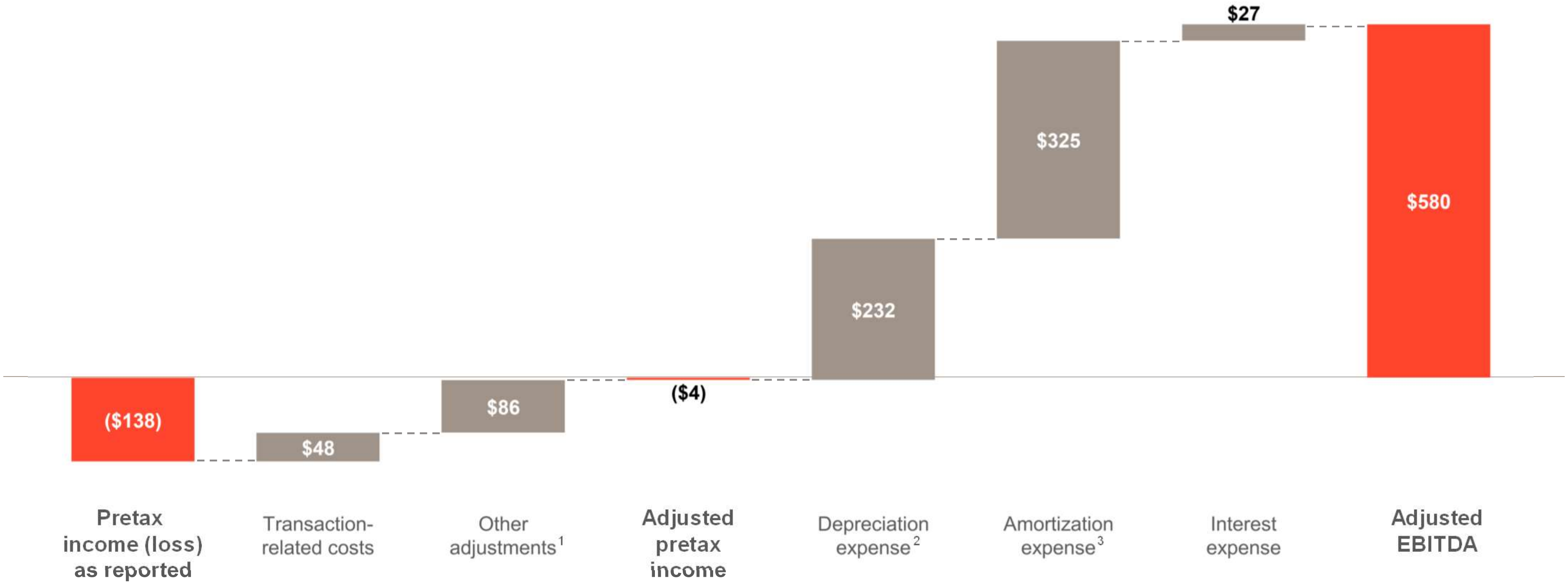


Box sizes not drawn to scale; IBM software costs increasing ~$200M a year in 2023, 2024 and 2025; see also slide 17

= Revenue growth opportunity

Fiscal third quarter 2023 adjusted pretax income and adjusted 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, charges related to ceasing to use leased assets, workforce rebalancing charges and currency impacts of highly inflationary countries
[2] Excludes depreciation of right-of-use assets
[3] Excludes amortization of capitalized contract costs

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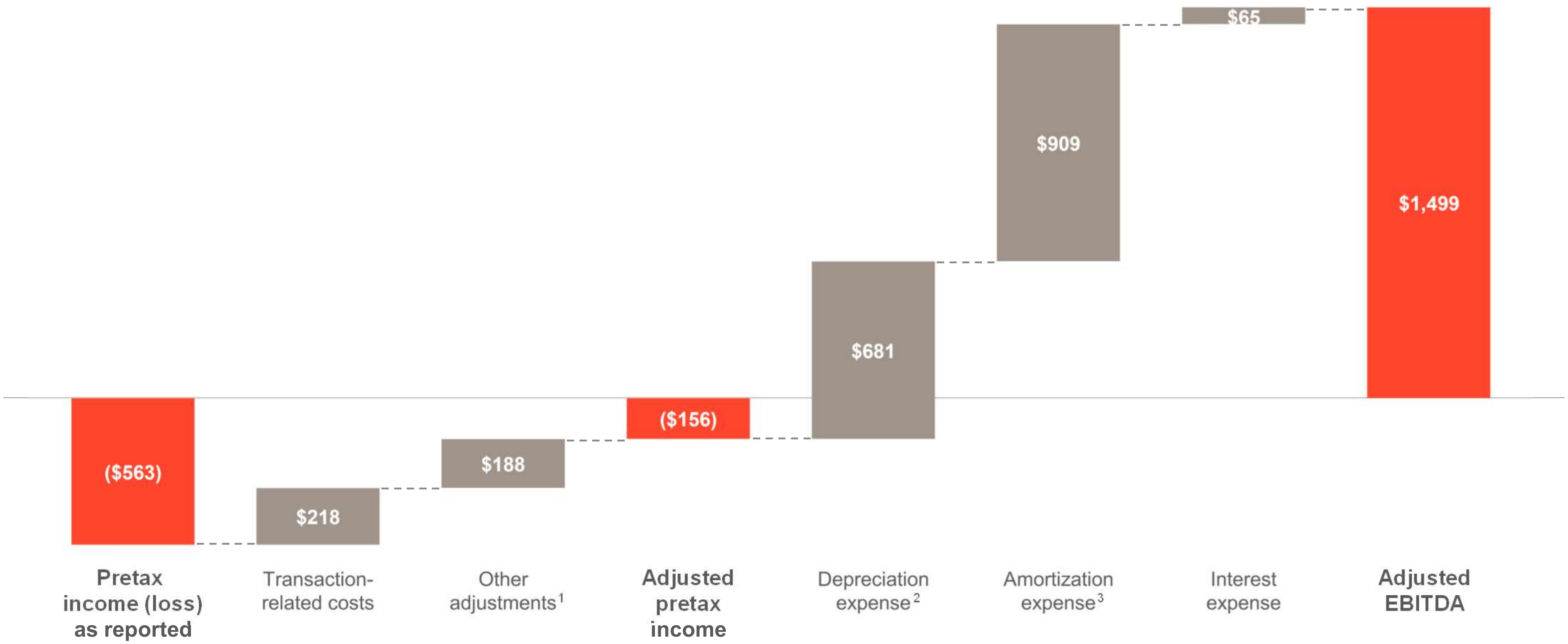
Fiscal 2023 year-to-date adjusted pretax income and adjusted EBITDA

($ 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, charges related to ceasing to use leased assets, workforce rebalancing charges and currency impacts of highly inflationary countries
[2] Excludes depreciation of right-of-use assets
[3] Excludes amortization of capitalized contract costs

Definitions and rationale for non-GAAP metrics

Metric	Definition
Adjusted EBITDA, pro forma adjusted EBITDA, adjusted EBITDA margin 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), charges related to ceasing to use leased assets, charges related to lease termination, 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 the 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 pretax income, pro forma adjusted pretax income, adjusted pretax margin and pro forma adjusted pretax margin	Adjusted pretax income is defined as pretax income excluding transaction-related costs, charges related to ceasing to use leased assets, charges related to lease termination, 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. 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. Adjusted pretax margin is calculated by dividing adjusted pretax income, as defined above, by revenue. 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 them when publicly providing our business outlook. We believe adjusted pretax income, pro forma adjusted pretax income, adjusted pretax margin 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 measures, 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 free cash flow	Adjusted free cash flow is defined as cash flow from operations 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 and 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 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 non-GAAP metrics

($ in millions)

Reconciliation of net income (loss) to adjusted pretax income (loss) and adjusted EBITDA	Nine Months Ended December 31, 2022	Three Months Ended December 31, 2022	Three Months Ended September 30, 2022
Net income (loss) (GAAP)	**($637)**	**($106)**	**($281)**
Plus: Provision for income taxes	74	(32)	61
Pretax income (loss)	**($563)**	**($138)**	**($219)**
Non-operating adjustments (before tax)			
Workforce rebalancing charges	16	10	3
Transaction-related costs	218	48	68
Stock-based compensation expense	81	29	28
Amortization of intangible assets	36	11	11
Other adjustments[1]	55	37	9
Adjusted pretax income (loss)	**($156)**	**($4)**	**($102)**
Adjusted pretax margin	*(1.2%)*	*(0.1%)*	*(2.4%)*
Interest expense	65	27	19
Depreciation expense	681	232	221
Amortization expense	909	325	291
Adjusted EBITDA	**$1,499**	**$580**	**$428**
Adjusted EBITDA margin	*11.7%*	*13.5%*	*10.2%*
Revenue	**$12,771**	**$4,303**	**$4,179**
Net income (loss) margin	*(5.0%)*	*(2.5%)*	*(6.7%)*

Reconciliation of net income (loss) to pro forma pretax income (loss) and pro forma adjusted EBITDA	Three Months Ended December 31, 2021
Net income (loss) (GAAP)	**($731)**
Plus: Provision for income taxes	11
Pretax income (loss)	**($720)**
Non-operating adjustments (before tax)	
Workforce rebalancing charges	(1)
Transaction-related costs	129
Stock-based compensation expense	18
Goodwill impairment	469
Excess cost allocations from IBM	14
Effects of post-Separation commercial agreements with IBM	70
Incremental costs to support independence and growth	-
Pro forma and other adjustments[2]	86
Pro forma adjusted pretax income (loss)	**$65**
Pro forma adjusted pretax margin	*1.4%*
Interest expense	18
Depreciation expense	294
Amortization expense	302
Pro forma adjusted EBITDA	**679**
Pro forma adjusted EBITDA margin	*14.8%*
Pro forma revenue	**$4,579**
Net income (loss) margin	*(16.0%)*

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[1] Adjustments reflect charges related to ceasing to use leased assets, pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs and currency impacts of highly inflationary countries

[2] 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, 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 non-GAAP metrics (continued)

($ in millions)

Reconciliation of historical revenue to pro forma revenue	Three Months Ended						
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Historical revenue (GAAP)	**4,303**	**$4,179**	**$4,288**	**$4,431**	**$4,556**	**$4,579**	**$4,751**
Pro forma adjustments[1]	-	-	-	-	23	(51)	(45)
Pro forma revenue	**4,303**	**$4,179**	**$4,288**	**$4,431**	**$4,579**	**$4,529**	**$4,706**

Revenue for the three months ended December 31, 2022 declined by six percent and increased three percent in constant currency, when compared to the prior-year period, and declined by six percent, and increased two percent in constant currency, when compared to prior-year pro forma revenue

Revenue for the three months ended September 30, 2022 declined by nine percent and increased one percent in constant currency, when compared to the prior-year period, and declined by eight percent, and increased two percent in constant currency, when compared to prior-year pro forma revenue

Reconciliation of cash flow from operations to adjusted free cash flow	Nine Months Ended December 31, 2022
Cash flow from operations (GAAP)	**$769**
Plus: Workforce rebalancing charges	20
Plus: Transaction-related payments[2]	307
Less: Net capital expenditures	(690)
Adjusted free cash flow	**$407**

Numbers may not add due to rounding

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 currency 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

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

[2] Transaction-related payments primarily relate to post-Separation systems migration costs and re-branding costs