Kyndryl Q2 2027 Earnings Conference Call
November 9, 2026

Corporate Speakers

- **Lori Chaitman**, Global Head of Investor Relations, Kyndryl
- **Martin Schroeter**, Chairman & Chief Executive Officer, Kyndryl
- **Ellen Johnson**, Chief Financial Officer, Kyndryl

PRESENTATION

Operator: Good day and thank you for standing by. Welcome to the Kyndryl conference call.

At this time, all participants are in a listen-only mode. After the speaker's presentation there will be a question-and-answer session.

Please be advised that today's conference is being recorded.

I would now like to hand the call over to Lori Chaitman, Global Head of Investor Relations.

Lori Chaitman:

Good morning, everyone.

Welcome to Kyndryl's earnings call for the second fiscal quarter ended September 30, 2026.

Before we begin, I'd like to remind you that our remarks today include forward-looking statements.

These statements speak only as of today, and actual outcomes or results may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties as described in our SEC filings.

Also in today's remarks, we will refer to certain non-GAAP financial metrics. Definitions and additional information about our calculation of non-GAAP financial metrics as well as reconciliation of non-GAAP metrics to GAAP metrics for historical periods are provided in the presentation materials for today's event which are available on our website at investors.kyndryl.com.

With me today are Kyndryl's Chairman and Chief Executive Officer, Martin Schroeter; and Kyndryl's Chief Financial Officer, Ellen Johnson. Following our prepared remarks, we will hold a Q&A session.

I will now turn the call over to Martin.

Martin?

Martin Schroeter:

Thank you, Lori, and thanks to each of you for joining us.

In the second quarter, we executed on our key priorities, and we made progress on our growth opportunities.

Signings and revenue grew in Kyndryl Consult, and we continued to see positive momentum with hyperscalers and demand for modernization. The actions we're taking to streamline our operations are now largely behind us. And we expect to begin realizing savings in the second half of this year.

Customers trust Kyndryl to run and modernize their essential technology environments at scale. They rely on us to lead complex migrations, modernize applications and data and deploy AI securely across their enterprises. That requires talented people with deep expertise the trust of our customers and extensive systems, operational and engineering data to understand these extraordinarily complex technology environments.

Our investments in Kyndryl Consult, alliances and agentic AI including Kyndryl Bridge, position us to expand scope and win new logos by delivering valuable business outcomes.

We're seeing this momentum in the U.S., where revenue has grown for three consecutive quarters, as well as in Spain and Latin America.

As we move into the second half of our fiscal year, our strategic priorities remain clear. We are reaffirming our full year outlook and progressing toward our fiscal 2028 financial objectives. Ellen will provide more detail on our recent financial results and fiscal 2027 outlook.

As we highlighted last quarter, we entered the year with a 5-point improvement in beginning backlog versus fiscal 2026. And halfway through the year, we're seeing more opportunities with scope expansions and new logos that support future signings growth and a better mix of higher-value services.

Over the last 12 months, Kyndryl Consult signings have exceeded revenue, reflecting continued enterprise demand for AI, modernization and cyber preparedness, as customers balance innovation and transformation with operational stability.

We're seeing these same dynamics create opportunities across our alliance ecosystem with customers' needs driving demand in both public and private cloud.

Our AI-led modernization work brings together Kyndryl Consult and our alliances to help customers achieve better business outcomes. And by combining advisory services with delivery excellence, we continue to sign deals with average projected pretax margins in the high single digits.

Through Advanced Delivery, we are embedding automation and AI into our operations to improve productivity and move our teams to higher value work. Kyndryl Bridge provides the foundation to deploy, govern and orchestrate agents across IT estates.

We've substantially completed our workforce rebalancing actions. The savings expected to be realized in the second half of this year will largely offset the charges incurred in the first half. In fiscal 2028, we continue to expect an annualized run rate of operating expense savings of approximately $400 million to $500 million. The earnings trajectory we're driving toward has a strong conversion to free cash flow that provides us with the financial flexibility to invest in our growth strategy.

AI led modernization demand is evident in our signings performance.

Over the last 12 months, we signed 43 deals in excess of $50 million, including 11 in the second quarter. Across those 43 large deals, approximately a third of the value contains scope expansions and new logos compared with about a quarter in the same period last year. We signed 154 deals in excess of $10 million over the last 12 months, with approximately a third of those also containing scope expansions and new logos.

Kyndryl Consult’s growth reflects demand for modernization, including the integration of agenetic AI across infrastructure, applications and workflows with cybersecurity, governance and resilience.

To support that demand, we expanded our global network of AI innovation labs to Dallas and Luxembourg, adding to our existing lab in Liverpool. Bringing together our Kyndryl Agentic Framework, differentiated IP and specialized talent including Kyndryl Vital designers, forward-deployed engineers and industry experts — these labs address customers' challenges by testing high-value use cases in a collaborative lab environment, validating solutions against desired business outcomes and developing roadmaps to deploy and rapidly scale AI in existing environments.

With hyperscalers, we're modernizing mission-critical workloads and designing cloud architectures for evolving data residency and operational requirements. Our expanded Broadcom relationship adds end-to-end consulting for VMware Cloud Foundation, helping enterprises modernize and secure critical systems and build resilient private clouds with public cloud speed, automation and developer experience.

AI is accelerating the modernization imperative. Our global Modernization Report reinforces this urgency. Nearly half of organizations are behind on their modernization goals and 98% of those that delayed modernization experienced negative business impacts.

Organizations deploying agents are making faster modernization progress and seeing better results.

With our differentiated solutions, we're modernizing our customers' full technology environment so they can scale reliably, securely and with the flexibility to adapt as technology and business requirements change. Customers are navigating complex hybrid IT estates, a rapid pace of innovation, increasing business continuity risk and evolving regulatory demands. They need to transform without disrupting the essential systems their businesses depend on every day. That is where our approach is differentiated.

We combine deep experience, running and modernizing mission-critical technology environments with the operational knowledge the technology platforms and the engineering expertise needed to help customers run and transform at the same time.

Our data is an important part of that advantage.

We have knowledge of what is in our customers' technology environments, what is happening across them and how experienced engineers respond. Kyndryl Bridge is our platform that brings together data insights, AI governance and orchestration giving our people and increasingly agents the context to understand what is happening and determine the appropriate next action.

Next week with ServiceNow we'll announce a new co-developed solution that combines ServiceNow's AI-powered workflows with Kyndryl Bridge data, operational intelligence and agents giving ServiceNow customers valuable context across their IT estate on configurations, dependencies, performance, events, changes, incidents, risks, resolutions and so much more.

All of our capabilities are designed to deliver the outcomes our customers are increasingly seeking: faster return on investment, transformed business workflows, greater visibility into costs and opportunities to optimize them and advanced cyber security and resiliency. Just as importantly, customers want to preserve platform choice and control of their data as their environments and the sovereignty requirements evolve.

As we've said in the past, sovereignty is a critical consideration for our customers, and next week, we'll introduce our differentiated solution to address their sovereignty challenges.

The combination of our mission-critical expertise, operational and engineering data and capabilities positions Kyndryl to help customers simplify complexity and modernize continuously. The result is a faster, more consistent and scalable solutions aligned to business outcomes while preserving quality, security, choice and control that our customers require.

We're delivering these capabilities across our customer base and seeing growth opportunities from winning new logos and expanding scope with our long-standing customers.

Here are three examples of how we're using AI-led modernization to move "up the tech stack", applying our expertise in infrastructure, governance and data management to solve important customer challenges and deliver business outcomes.

First, we expanded our long-standing relationship with a large global marketing services company. We've managed their infrastructure for more than 15 years, and we're now moving up

the technology stack to include application-led services. To help unify their technology operations and accelerate their enterprise transformation, we're using AI-enabled application management and rationalization with the Kyndryl Agentic Framework as the foundation for running and transforming business platforms. The goal is to simplify their technology environment, drive significant cost savings and scale AI-enabled operations.

Next, we expanded our two-decade relationship with a major European bank. They selected us for this additional scope because of our regulatory and resiliency expertise. To help scale AI safely and reliably in a highly regulated environment, we're using our policy as code capability to build regulatory and risk controls directly into their platform. This enables automated auditable compliance by design while accelerating AI use cases into production.

And finally, we expanded our long-standing relationship with a global luxury goods company to provide critical technology support across key business functions while advancing their transformation. Leveraging Kyndryl Bridge data insights, automation and digital twins, we'll help streamline operations, enhance service quality, drive savings and scale globally.

These engagements show how our trusted operational expertise, Kyndryl Consult, Kyndryl Bridge and our Agent capabilities expand our role in modernizing applications, infrastructure and business operations — creating further opportunities to grow customer relationships and value.

We also completed the acquisition of Healthcare IT Leaders, expanding our healthcare application implementation and managed services capabilities across clinical, operational and workforce systems, and helping customers modernize mission-critical systems and accelerate digital transformation.

Our differentiated solutions are leading to tangible business results and our focus is clear: to drive profitable revenue growth and stronger free cash flow.

Now, I'll pass the call over to Ellen to discuss our quarterly results and our fiscal year outlook. Ellen...

Ellen Johnson:

Thanks, Martin, and hello, everyone.

I'm excited to be here today joining the Kyndryl team.

Today I will focus my comments on our second quarter results and the outlook for our fiscal year 2027.

In Q2, we generated $3.65 billion of revenue, down 1.9% year-over-year as reported and down 80 points in constant currency.

For the third consecutive quarter, we delivered strong year-over-year revenue growth in the U.S.

In the second quarter, revenue in the U.S. segment was up 9%, of which roughly six points was largely driven by growth in Kyndryl Consult and approximately three points was attributable to the resolution of a commercial matter.

During the quarter, we made a minor change to our segments to reflect how we manage our operations and measure business performance, transitioning India from Principal Markets to Strategic Markets.

Total signings over the last 12 months were $15.5 billion, of which $4.1 billion were signed in Q2.

Our adjusted EBITDA in the quarter was $699 million with adjusted EBITDA margins of 19.1%, an increase of 190 basis points.

Our adjusted pretax income was $150 million with adjusted PTI margins of 4.1%, increasing 80 basis points year-over-year. This performance was largely driven by gross margin expansion as our revenue mix of business continues to improve.

In the second quarter, amortization expense was $323 million compared to $306 million last year due to an increase in prepaid software that supports the services we provide to our customers. Looking ahead, we now expect amortization expense to remain at the current levels, resulting in approximately $1.3 billion for the full year fiscal 2027.

Interest expense increased to $37 million compared to $20 million in the same period a year ago, due largely to increased interest rates and borrowings.

For the full year, we now expect interest expense to be approximately $160 million, reflecting the September debt issuance, partially offset by the repayments of the revolver and the October senior notes.

Turning to cash flow...

In the first half of the year, free cash flow was a use of $434 million. The largest use of cash during the period was $447 million in working capital, which primarily reflects the seasonality of vendor payments. These higher payments were related to multi-year renewals and annual prepaid software subscriptions largely in the first quarter.

In the second half of the year, we expect free cash flow to be driven by meaningfully higher earnings in addition to cash contributions from working capital.

While quarter-to-quarter dynamics can vary, we continue to target a strong conversion of earnings to free cash flow on a full-year basis and are reaffirming our fiscal 2027 free cash flow outlook of $400 million to $500 million.

In the appendix, we provided a bridge from our adjusted EBITDA to our free cash flow.

Our financial position remains strong.

Our cash balance at September 30 was $1.7 billion compared to $2.6 billion as of March 31, primarily driven by our first half working capital needs and after funding our acquisition of Healthcare IT Leaders.

Our available liquidity is $4.8 billion.

As I mentioned, during the quarter, we completed a debt issuance of $600 million in senior notes to 2029 and $400 million in senior notes due 2032.

The net proceeds of this offering were used to repay the $700 million in senior notes that matured in October, and together with cash on hand, the $1 billion outstanding balance under the revolving credit agreement.

Our debt maturities are well-laddered through 2041, with the next significant maturity in October 2028.

We exited the quarter with net leverage ratio aligned with our target of below 1 times adjusted EBITDA. And we expect our ratio to remain below 1 times adjusted EBITDA exiting the fiscal year.

As part of our ongoing balance sheet optimization efforts, we recently established a commercial paper program to supplement and further diversify our sources of seasonal short-term working capital funding.

Our capital allocation priorities remain focused on financial flexibility with strong liquidity, including to invest in strategic growth initiatives and maintaining our investment-grade ratings.

For almost five years, our signings have reflected a healthier mix of higher-value services including Kyndryl Consult and hyperscaler related revenue streams.

As Martin noted, new scope and new logos represent a growing percentage of our large-deal signings.

Based on our average projected gross margin of 25% on signings over the last 12 months, we added more gross profit dollars to backlog than we reported over the same period.

In fact, in the first half of this year, we delivered gross margins of 22.5%, compared to 21.4% in the same period last year.

We continue to expect gross margin to expand as we progress through the remainder of the year.

Turning to our outlook for fiscal 2027 –

We continue to expect adjusted pretax income to be in the range of $600 million to $700 million. This pretax income outlook includes approximately $200 million of workforce rebalancing charges, and a similar amount of savings this year.

In fiscal 2028, these actions are expected to yield annualized operating expense savings in the range of $400 million to $500 million.

For the full year, we continue to expect revenue to be flat to down 2% in constant currency, including the contribution from the acquisition in the second half.

Within that, we expect Kyndryl Consult and our alliances related revenue streams will continue to grow, supported by the strength in the U.S. and Japan segments in constant currency.

For the full year, we continue to expect free cash flow in the range of $400 million to $500 million.

Let me now pass the call back to Martin.

Martin Schroeter:

Thank you, Ellen. To wrap up, the opportunity ahead builds on the role Kyndryl already plays for our customers, and we remain confident in our ability to deliver on our fiscal 2027 outlook. Every day our people help keep essential systems running and businesses moving around the world. That gives us a unique understanding of our customers' technology environments and a depth of operational knowledge that becomes even more valuable in the AI era.

As customers modernize and scale innovation across their businesses, we can build on that trusted position to help them transform the systems they depend on and expand the value Kyndryl delivers.

We're seeing momentum in Kyndryl Consult and hyperscaler related revenue streams and in modernization while improving the quality of our signings and driving greater efficiency across the business. We continue to expand our capabilities through our partner ecosystem, helping customers modernize and build secure, resilient and AI-ready environments.

Operator, let's now move to questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions)

Our first question comes from James Faucette from JP Morgan.

Hello, James Faucette's line should now be open.

Lori Chaitman: Operator, we can move to the next question and bring James back into the queue. Thanks.

Operator: Our next question comes from Jonathan Lee from Guggenheim Securities.

Jonathan Lee, Guggenheim Partners: Look, the first quarter deck included a target of $1 billion in adjusted free cash flow by fiscal '28, which we didn't see in today's deck. Cash signposts has been reworded to a strong conversion of earnings to free cash flow.

And today's release no longer references multi-year objectives, even as all the fiscal '28 signposts are marked on track, is the $1 billion target still intact?

If not, how should investors think about the fiscal '28 framework, especially given this is Ellen's first quarter.

Martin Schroeter: Yes. So look, you'll hear from Ellen as well the $1 billion still is on track, right? What we're going to see coming out of fiscal '27 when we finish, given the cash flow dynamics, they're going to look exactly as we've explained and described over the years, which is this year as well. Free cash flow will be adjusted operating profit less cash taxes.

And so, when we get to next year with profit on track, and the signposts are intended to show that we're on track across each of the elements that will drive fiscal '28, we still see the same free cash flow that we've been talking about for fiscal '28.

I would not overinterpret. On a second quarter call, I would not overinterpret anything other than we're still on track.

Ellen's here, obviously, and as you said, her first call so it'd be good to hear from Ellen too.

Ellen Johnson: Sure. Thank you.

We continue to progress towards fiscal 2028 and our financial objectives. Right now we're very focused on delivering 2027, and we're very pleased with the quarter.

And that should set us up well for 2028. We had very strong signings. Signings grew 34% in the first half.

Our LTM book-to-bill was 1.04 times, and we expect stronger revenue growth in the second half, recognizing that we have a difficult comp in Q3.

Our gross margin in the first half was 22.4%, and we expect that to continue to improve in the second half.

We're on track with regards to our WFR and expect significant savings in the second half of this year, because you will not have the charge and you will have the savings.

And we're very pleased with our progress to date.

Lori Chaitman: Jonathan, do you have another question for us?

Jonathan Lee, Guggenheim Partners: Yes, thanks for that color. And as we think about the LTM signings exceeding revenue, gross profit, book-to-bill improved to 1.2 times. But it looks like the expected gross margin on signings has held in at 25% below what we saw in fiscal '25 and fiscal '26, despite pretax margin holding in at 8%. So what's driving the lower gross margin on recent signings? What offsets that at the pretax level? And how does pricing compare on the scope and new logos versus renewals?

Martin Schroeter: So a couple of things. I'm trying to follow some of the data you suggested. When we look at our gross profit book-to-bill performance, it continues to demonstrate that we will grow gross profit dollars in the future.

We see good signings performance in the first half, and keep in mind, when we talk about signings, it's a little bit, I think, different from what others would report as bookings, our signings really reflect only what's being added to the backlog.

So there is also a bookings number, which is higher, obviously, over time as we renew things that are already in the backlog.

So from a profit perspective though, our mid-20 gross profit margin suggests 25% in the last 12 months, 25% suggests we'll deliver 25%.

And in fact, as we progress through this year, we'll exit pretty close to 25% in the fourth quarter of this year, which sets us up pretty well I think for, again fiscal '28.

So gross margin continues to hold in. We're able to capture the value that we're creating. The gross profit dollar book-to-bill has been in excess of 1x for quite a while, driving future profit growth.

And again, PTI margin on all of that, all supports our high single-digit margin profile.

Operator: Our next call comes from Bradley Clark from BMO Capital Markets.

Bradley Clark, BMO Capital Markets: I just want to go over the Consult business, signings is really strong in the quarter, it seems like a lot of positive momentum around modernization.

But if we look at the growth, it does look like it's low a bit. Just want to understand how you expect sort of the signings flowing into the revenues over -- as you look over the next year or so and sort of what the growth of the business you think was like over the medium term?

Martin Schroeter: Yes. Great. Thank you for that.

First, your observation that modernization is the theme that's driving this is spot on. It's a pervasive growth theme for us, and not surprising, given the focus on AI and given the focus on companies wanting to both deploy and scale AI, and that's at the heart of what we do. So modernization is definitely the theme.

Your observation around the deceleration from 1Q to 2Q is also spot on, right? So we went from 11% at constant currency growth in the first quarter to 6% in the second. So we finished the first half at high single digit which is what we said high single to low double.

And I'd say a few things.

One, we did have a big first half compare, right? So we printed in 8% against last year's growth of, I'd say like 25% in the first half.

And then we also saw -- and we talked about this in prior calls, we also saw our second half signings slow a bit. But finally, then I'd say the first half signings accelerated again.

So first half was doing it from memory -- I think the first quarter was up 50%. The second quarter was up in the high 20s, so call it high 30s in the first half.

And so, with a big compare slightly decelerated signings last second half of the year, but bigger signings again in the first half, I'd say I'm confident that 2Q was going to look like the low point of the year, in terms of constant currency growth for Consult.

And I think we -- it keeps us on track now. We're finishing high single digit, and we just finished the low point of the year says that we remain on track, and we're pretty well-positioned for high single or low double-digit growth on a full year basis for Consult.

Operator: (Operator Instructions) Our next question comes from Kevin Krishnaratne from Scotia Bank.

Kevin Krishnaratne, Scotia Bank: Maybe a question for Ellen, welcome to the team. Just on the quarter and the strong gross margin over 23%, can we maybe separate how much of that relates to the U.S. revenue benefit? Or how much is structural improvement from higher margin underlying business is getting booked?

And then how do we think about the trend in the 3Q. Does that revert back down to 22%?

And then I guess the related question to that is this also what's driving the slight improvement on EBITDA margin guidance? You're now at 19% for the year. I think you were a little bit over 18% previously.

Ellen Johnson: Sure. Thank you for the question. I'm happy to be part of the team.

The item that you're calling out on an overall Kyndryl basis really does not change the results. The improvement that you're seeing in gross margin -- is really related to stronger gross margins. And we expect them to continue to improve throughout this year.

And that is being driven by the efficiencies that we're realizing in delivering our own business, as well as you'll see in the back half of the year, savings from the WFR.

Kevin Krishnaratne, Scotia Bank: Got it. That's also leading to the overall EBITDA margin improvement that you're forecasting?

Ellen Johnson: Yes. That plus increased amortization which we called out.

Kevin Krishnaratne, Scotia Bank: Amortization, got you.

Okay. And just a second question for me. I don't know if I heard you call it out, but on Europe, you previously talked about sort of some softness there, customer decisions taking longer.

I'm wondering if we're seeing any improvements on that front in the region.

Martin Schroeter: So, I'd say a couple of things.

Look, the debates and the discussions around sovereignty are not only in Europe, but they are certainly in Europe. And so, those discussions are challenging for our customers to make sure that they know how they can deal with the nature of the mission-critical systems we run in an ever-changing geopolitical world.

On the solutions side, as we indicated in our prepared remarks, we're going to announce -- next week, we're going to announce some sovereignty approach that we think will help dramatically address this issue.

So overall, we're not seeing a slowdown if you will. In signings as we talked about in our prepared remarks, we talked about large deals. We talked about deals under -- over $10 million. If I just use that over $10 million of sort of the cutoff point, I'd say that with the performance we had – Well, let me do the under $10 million. I don't think there's any difference in how we're signing the rate and pace at which we're signing deals that are smaller than $10 million. Now obviously, customers don't think of themselves as a less than $10 million or greater than $10 million. But the fact is that for deals that are sort of just standard the things we do every day under $10 million. I wouldn't say the time to close.

Larger deals always have some element of discussion and debate. These are big commitments that our customers are making to us. They're big commitments around what am I going to do for the next five years or six years in some cases even. And yes, sovereignty and the discussion in Europe is an important one.

But the discussion around AI is an important one. When the CIO goes to his or her board and says, this is what I'd like to do with Kyndryl, the questions are obvious. Well, what did you

assume that -- what did you assume that our chosen AI provider is going to announce in six months and nine months. Those are hard questions to answer.

So I expect that those will continue. Again large deals, given our overall performance, our strong first quarter and even better second quarter in signings, it's hard to say that's slowing us down.

Our experience, I would say that when there is -- when you bring innovation, when you bring expertise, customers are willing to make a move. We will continue, as I said, to address the sovereignty issue with another announcement next week.

You put all that together, and I'd say that while Europe has been a little bit slower. I do think we're starting to come back a bit in Europe in signings and quite frankly, in revenue performance as well.

Lori Chaitman: Thanks, Kevin.

Operator, I think we have one more question in the queue.

Operator: Our next question comes from Jamie Friedman from Susquehanna International Group.

James Friedman, Susquehanna International Group: I wanted to ask where you are in the journey with the Blueprint accounts initiative. Are you 100% there? Is there more to go?

And a related question, I'll just ask some upfront, do you see potential upside to the 8% PTI margin on new signings given where you are with that dimension of the business?

Martin Schroeter: Sure. So Jamie, we've been talking obviously about Focus Accounts for a while, and we've driven a substantial amount of profit improvement from reimagining those relationships.

But quite frankly, we are kind of coming to the end of that. That doesn't mean that there are no more focused accounts out there. There are some. They have a long tail, but it's not going to be a dramatic driver of our performance over time.

We have broadly reimagined these businesses. We have broadly found ways to do what we do.

We're in, as you know well, we're in the productivity business. So we have to create, drive productivity. We have to share some of that with our customers. I think we've proven that we can do that.

And then we have to reinvest in new capabilities and bring new innovation to capture some of the places that our customers are investing.

And overall, I think we've proven that we can do those two important elements for our model. We can create and drive productivity. We can share that with our customers and we can create new capabilities and innovation that allows us to capture some of the investment dollars.

So I'd say that we're kind of at the end, if you will, of it being really perceptible in the I&E. That's not to say that we don't still have a mix of pre-spin contracts in our P&L that will linger for a few more years. Still, quite frankly, it was only last year that we had two-thirds of our P&L represented by our post-spin signings. This year, it's 80% -- north of 80%, next year will be to the 90s%, certainly helpful, but there is a long tail to this.

Now having said all that, we're not counting on this business miraculously turning from a high single-digit PTI margin into something else. However, for us, as we talked a little bit earlier, We're going to announce a new offering with our partner ServiceNow. And the profit dynamics of that offering have a dramatically different and much better, quite frankly, margin profile for us.

So while we're not relying on this business, the core part of our business to turn into something is it's going to be very competitive.

We're going to have to share -- like I said, we're going to have to share productivity with our customers. The other elements of what we have, our data, our ability to share insights with customers, either through our partners or directly, can drive a higher margin profile over time.

Lori Chaitman: Operator, I believe one more analyst came into the queue.

Operator: Yes. Our next question comes from Tien-Tsin Huang from JP Morgan.

Tien-Tsin Huang, JP Morgan: Some technical difficulty here.

So just on the -- quickly on the Healthcare IT Leaders acquisition, any more anything we can say here in terms of what attracted you to the assets and sort of the synergies there and how quickly you can amplify the growth.

Then just wanted to make sure on the three points that was called out from the commercial matter, was that contemplated in guidance?

I just want to make sure I understood the impact there.

Martin Schroeter: You want to start with the second part and I'll cover Healthcare.

Ellen Johnson: Sure. The three points of the commercial matter that you're referring to does not change our guidance.

If you look at overall Kyndryl, it really doesn't move the needle very much over a $15 billion company.

And so, we're still very comfortable with the guidance that we previously gave.

Martin Schroeter: On Healthcare IT, so Tien-Tsin, thanks for the question.

Look, we've closed now, we're integrating. It's going very, very well. The teams are getting themselves organized to drive both the continued growth of that particular set of capabilities, but also then to get some synergies.

So Healthcare IT Leaders is a representation of how, given the role we play in our customers' infrastructure, in this case, it's healthcare, given the role we play in our customers' infrastructure. We had partnered with this company and we saw how important they are to how our customer base needs their expertise in order to bring the whole solution together -- us running the infrastructure, us providing innovation and insights around how that's working, plus the ability to move applications and manage those in a highly regulated environment.

So our view is this is an example of how we can move up the stack given the brand permission we have to run these critical systems and to capture value in a more robust way. Plus, that's what they do today, plus now drive some synergies across their customer base, plus our customer base, etc.

So look, we're very excited about this. We think this is a great acquisition.

We'll give them some time to kind of settle in and get used to us, but this is going to work out really well for our customers, which means it will work out really well for us.

Lori Chaitman: All right. Thank you, everyone, for joining. Martin?

Martin Schroeter: Yes. Thanks, Lori. Well, again thanks. Like Lori said, thanks everyone for joining us today and for your interest in Kyndryl.

Every day, as everybody knows, our people manage and modernize the world's most complex IT estates. And we do this while continuing to deliver world-class services every day to our customers. These are the systems that cannot go down.

Our focus remains on executing the strategy we've laid out. It will drive profitable growth.

I am very proud of what this company and the culture we built and the differentiated capabilities that we've built and Kyndryls around the world are delivering every day and most importantly, of the essential work we do for our customers.

So thanks again for joining.

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