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First Quarter 2024 Earnings

August 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,” “believe” 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 August 7, 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 and partners; inability to attract, retain and/or manage the numbers of key personnel and other skilled employees; impact of local legal, economic, political, health and other conditions; 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; its implementation of a new enterprise resource planning system and other systems and processes; 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, investigatory risks and potential indemnification obligations; impact of changes in market liquidity conditions and customer credit risk on receivables; the Company's pension plans; the impact of 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 March 31, 2023 filed with the Securities and Exchange Commission (the “SEC”) on May 26, 2023, as such factors may be updated from time to time in the Company's periodic filings with the SEC.

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 (loss), adjusted net income, adjusted EPS, adjusted EBITDA margin, adjusted pretax margin, adjusted free cash flow and constant currency, 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.

Speakers

Lori Chaitman, Global Head of Investor Relations

Martin Schroeter, Chairman and Chief Executive Officer

David Wyshner, Chief Financial Officer

Highlights

First quarter results demonstrate a **strong, fast start** to our fiscal year

Alliances, **A**dvanced Delivery and **A**ccounts initiatives delivering greater benefits

Raising profit outlook for current fiscal year (ending March 2024)

Extending our leadership position as the **largest** provider of IT infrastructure services

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

Successfully transforming our business

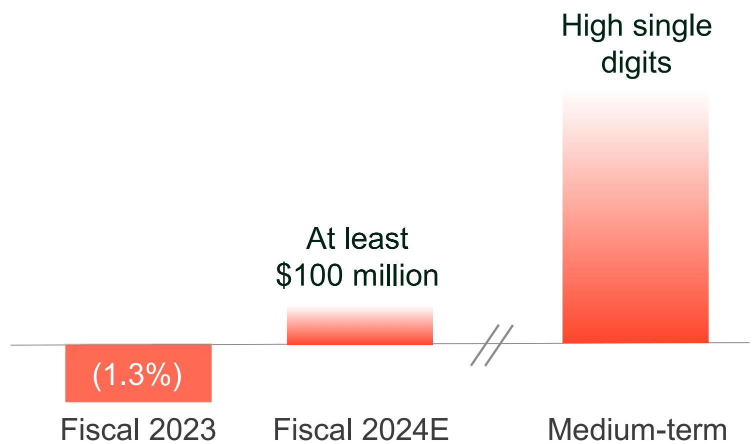
Faster profit recovery

- Raising fiscal 2024 outlook
- Annual losses, measured on an adjusted pretax basis, are behind us
- Relentless execution of three-A's strategy

On track for revenue growth in calendar 2025

- Kyndryl Consult growing double-digits – now targeted to reach 20% of our revenue by fiscal 2027
- Alliances delivering ahead of pace
- Addressing our focus accounts, while retaining higher-margin content
- Will finish this fiscal year near our revenue trough

Adjusted pretax income / margin



Free cash flow expected to grow similarly, with strong conversion of adjusted net income to cash

We're driving powerful dynamics for near-term and medium-term value creation

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Previous expectation was for Consult revenue that was ~10% of revenue at spin to grow to ~15% over the medium term

Delivering additional benefits from our three-A's in fiscal 2024

Alliances

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

$80M+ Ahead of pace

Hyperscaler revenue in Q1
($300M+ fiscal year 2024 target)

37,000+

Cloud certifications as of June 2023
(total hyperscaler certifications up 70% year-over-year)

Advanced Delivery

Transforming service delivery through upskilling and automation

$375M Ahead of pace

Annualized savings from automation
($450M+ cumulative target for March 2024)

$75M

Of year-over-year earnings benefit in Q1
($200M+ fiscal year 2024 target)

Accounts

Addressing elements of the business with substandard margins

$300M+ Ahead of pace

Annualized profit improvement
($400M+ cumulative target for March 2024)

$90M+

Of year-over-year earnings benefit in Q1
($200M+ fiscal year 2024 target)

Our accelerated progress on the three-A's is demonstrating our ability to return to sustainable, profitable growth

Financial overview

Solid quarterly results show continuing progress

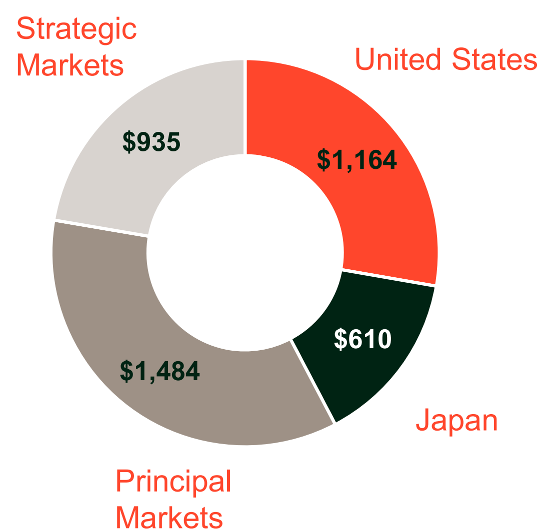
Robust balance sheet and strong liquidity

Raising profit outlook for current fiscal year (ending March 2024)

Fiscal first quarter 2024 financial highlights

($ in millions)	Quarter ended June 30, 2023	Quarter ended June 30, 2022
Revenue	**$4,193**	**$4,288**
Growth, in constant currency	(1%)	(3%)
Adjusted EBITDA	**$612**	**$491**
Adjusted EBITDA margin	14.6%	11.5%
Adjusted pretax income (loss)	**$47**	**($50)**
Adjusted pretax margin	1.1%	(1.2%)

Quarterly revenue by segment
($ in millions)



Our results for the quarter reflect solid operational execution, led by our three-A initiatives and Kyndryl Consult

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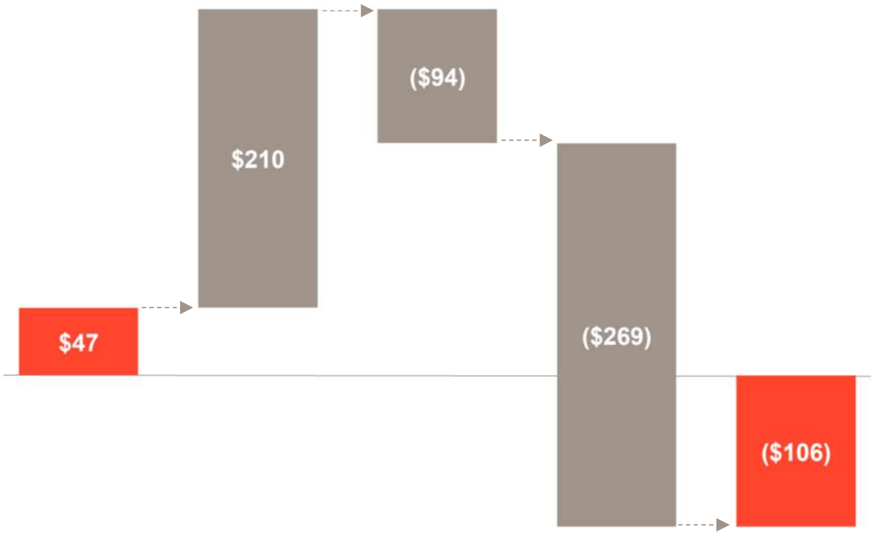
Principal Markets: Operations in Australia/New Zealand, Canada, France, Germany, India, Italy, Spain/Portugal and United Kingdom/Ireland
Strategic Markets: Operations in all other geographic locations
Revenue growth as reported was (2%) in the quarter ended June 30, 2023 and (10%) in the quarter ended June 30, 2022
See appendix for reconciliation of non-GAAP metrics

Strong balance sheet metrics; seasonal dynamics affecting cash flow

Adjusted free cash flow
($ in millions)



Balance sheet and cash flow metrics

$4.7B
Available liquidity[1]

$1.5B
Cash

$3.3B
Debt

$1.8B
Net debt

($173M)
Cash flow from operations

We're expecting positive adjusted free cash flow in fiscal 2024 and on a solid financial footing to execute our strategy

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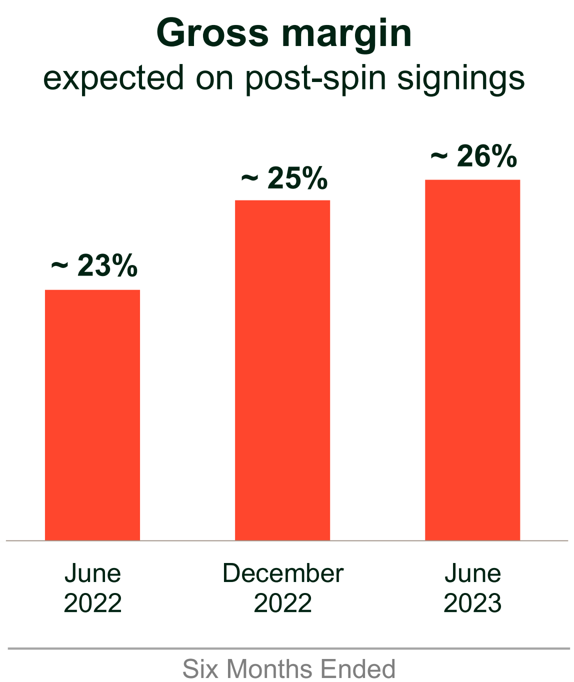
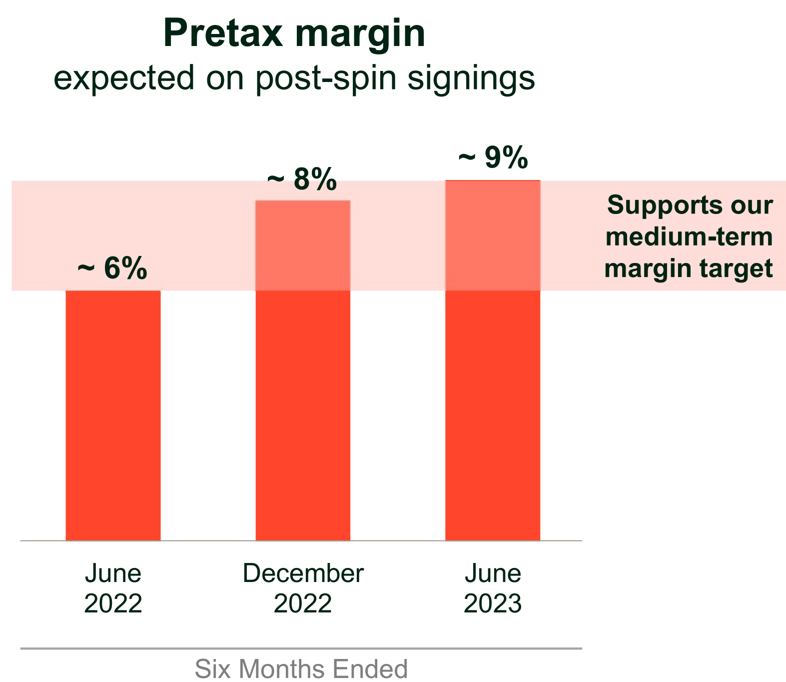
[1] Consists of $1.5B of cash and $3.2B of undrawn senior unsecured credit facility
[2] Driven by annual incentive/commission outlays that exceeded in-quarter accruals by ~$115M, software license payments that exceeded in-quarter amortization by ~$50M, and cash tax payments of $65M
[3] Adjusted free cash flow: Cash flow from operations (GAAP) ($173M), plus workforce rebalancing payments $79M, transaction-related payments $42M, significant litigation payments $33M and other $7M, less net capital expenditures $94M. See appendix for reconciliation of non-GAAP metrics

Projected margins on signings up meaningfully, supporting medium-term goals





Execution on our three-A's and focus on higher-value services are driving margin expansion on signings post-spin

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	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
IBM software costs increasing ~$200M per calendar year in 2023, 2024 and 2025

Raising our fiscal 2024 earnings outlook

	Fiscal 2024 outlook	Comments
Adjusted EBITDA margin	Approximately 14%, up approximately 240 bps year-over-year	Increases from May outlook of 12% – 13%
Adjusted pretax income	At least $100 million, up at least $317 million year-over-year	Increases from May outlook of (1%) – 0% adjusted pretax margin
Revenue	Primarily driven by targeted actions to reduce certain low-margin revenues	No change in constant-currency outlook from May

We're focused on delivering on our three-A initiatives, innovation and margin expansion

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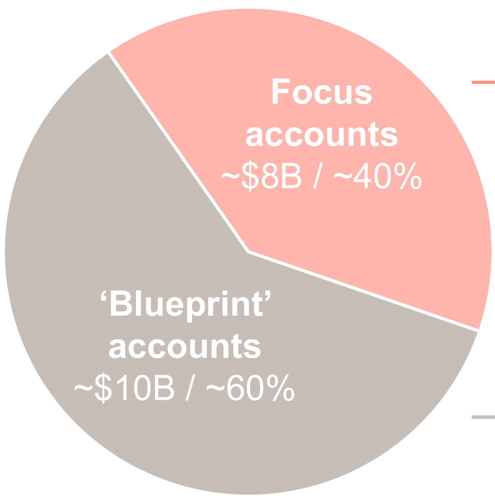
Fiscal 2024 revenue outlook for revenue is (8%) to (6%) growth in constant currency, to $15.8 to $16.2B based on recent exchange rates
Currency effects are currently expected to positively impact revenue by $200M or 130 bps, adjusted EBITDA by $60M or 20 bps, and adjusted pretax income by $25M or 20 bps year-over-year
Depreciation expense projected to be ~$850M; amortization expense projected to be ~$1.2B; interest expense projected to be ~$120M
Net capital expenditures projected to be ~$750M. ~$300M of cash projected to be used for transaction-related items, primarily post-Separation systems migration costs, and workforce rebalancing programs

Transforming focus accounts into higher-value ‘blueprint’ accounts

Revenue (at spin)[1]



Starting point

Post-spin signings[1]

Focus accounts: ~0% average gross margin → Low to mid-20s gross margin → Focus accounts driving substantial margin accretion

‘Blueprint’ accounts: Mid-20s average gross margin → Mid-20s gross margin → Margins increasing modestly even in ‘blueprint’ accounts

We’re expanding our margins on focus accounts upon renewal <u>and</u> mid-contract

[1] Revenue represents historical (GAAP) revenue for the twelve months ended March 31, 2022; post-spin signings and revenue were ~40% focus accounts and ~60% blueprint accounts
Our gross margins are approximately 16 points higher than our adjusted pretax margins

Investment highlights

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- World leader in designing, building, managing and modernizing mission-critical information systems
- Independence doubled our addressable market from $240 billion pre-spin to $530 billion by 2025, with market growth driven by numerous interrelated tailwinds
- Competitive advantage stems from our people, data and intellectual property
- Trusted long-term partner to thousands of blue-chip enterprise customers
- 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

Recent accolades and industry recognition

ISG

2022 Leader in Mainframe Services & Solution Provider in U.S. and Europe

AVASANT

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

Everest Group

A Major Contender: 2023 Workplace Communications and Collaboration Services PEAK Matrix™ Assessment

CISCO

Cisco named Kyndryl Canada 2022 Cloud Partner of the Year

AVASANT

Market Leader: *Cybersecurity Services 2022* RadarView report

NelsonHall

2023 Leader in in Cognitive Service Desk Capability

ISG

2022 Leader in SAP Ecosystem for Managed Platform and Cloud Services in U.S., U.K., Germany, Nordics and Brazil

IDC

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

FORRESTER

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

Gartner

A Leader: May 2023 Magic Quadrant™ for Managed Mobility Services, Global report

Kyndryl ranked #1 worldwide by revenue in 2022 for Infrastructure Implementation and Managed Services Providers by Gartner

NelsonHall

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

Strong commitment to ESG principles

Environment

- Committed 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

- Increased Kyndryl Inclusion Networks (KINs) to support Black, Hispanic, Asian American & Pacific Islander, LGBTQ+, People with Disabilities, women, and other groups
- Developed and published Human Rights Policy
- Centered corporate social responsibility strategy around employee engagement
- Driving human capital strategy to attract, retain and motivate our workforce

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

Governance

- Completed global ethics and cybersecurity & data privacy training for employees
- Implemented Board oversight of ESG and provided ESG disclosures in Kyndryl's proxy statement
- Enhanced Board accountability to stockholders through majority voting in director elections, proxy access and ability to call special meetings
- Preparing to publish inaugural ESG report to highlight commitments and progress toward goals

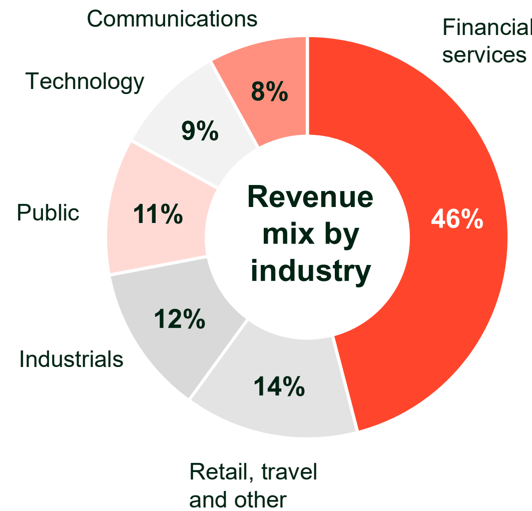
Operate with integrity

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

Our services

Practice	Overview	Revenue
Cloud	Delivering seamless, integrated, multicloud management in a hybrid model	34%
Security & Resiliency	Delivering full line of cybersecurity, business continuity and disaster recovery services to help customers continuously adapt to new threats and regulatory standards	14%
Network & Edge	Providing unified network services for cloud and data center connectivity	8%
Applications, Data & AI	Providing full application platform hosting and expert assistance for application modernization	5%
Digital Workplace	Enhancing user experience and work location flexibility by providing a consumer experience to employees	7%
Core Enterprise & zCloud	Providing secure, unified and fault-tolerant mainframe services for our customers' core infrastructure	32%

Diversified sources of revenue



Approximate revenue based on twelve months ended June 30, 2023
Industry revenue mix is approximate

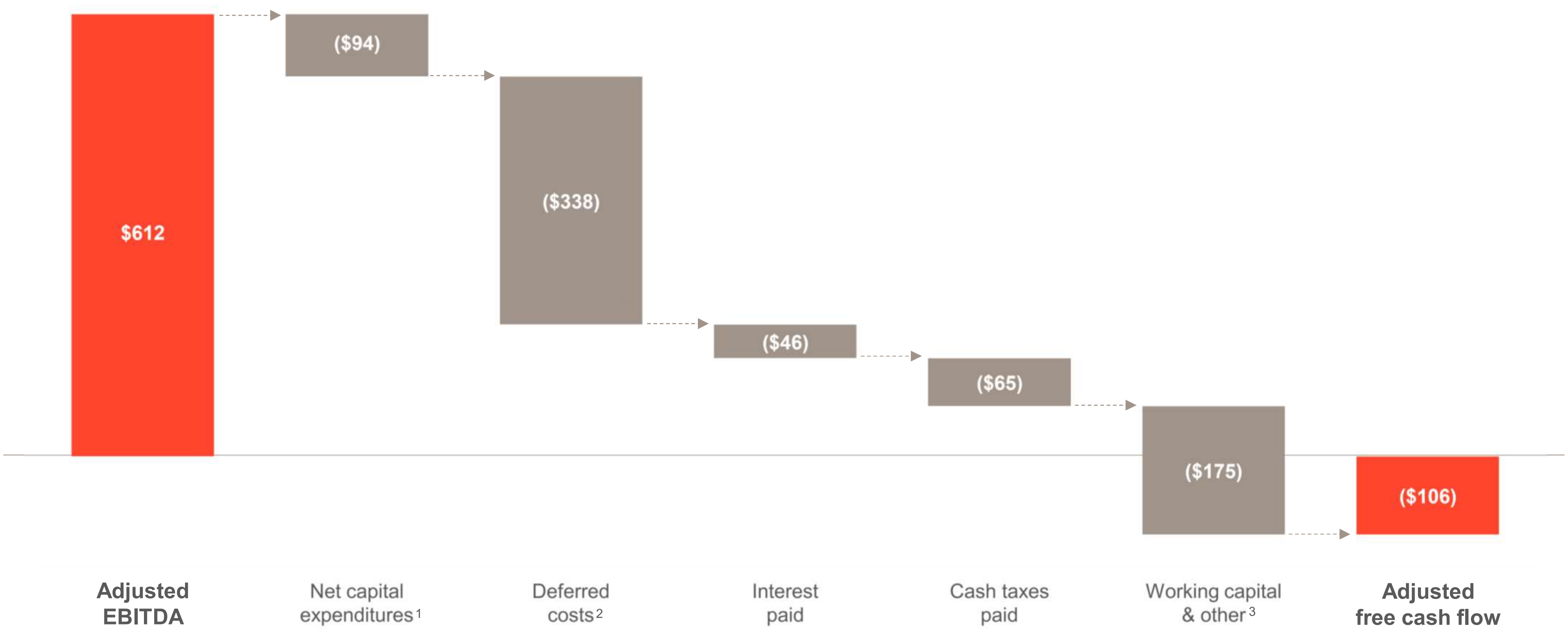
Fiscal first quarter 2024 adjusted pretax income and adjusted EBITDA

($ in millions)

[1] Effects of amortization of acquisition-related 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/fixed assets and lease terminations, and currency impacts of highly inflationary countries
[2] Includes amortization of capitalized software costs and excludes depreciation of operating right-of-use assets
[3] Amortization of transition & transformation costs and prepaid software

Fiscal first quarter 2024 adjusted EBITDA and adjusted free cash flow

($ in millions)



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[1] Net capital expenditures compares to depreciation of $210M
[2] Deferred costs represent net change of prepaid software and transition costs net of amortization of $325M
[3] Includes annual incentive/commission outlays that exceeded in-quarter accruals by ~$115M

Reconciliation of non-GAAP metrics

(in millions, except per-share amounts)

Reconciliation of net income (loss) to adjusted pretax income (loss) and adjusted EBITDA	Three months ended June 30, 2023	Three months ended June 30, 2022
Net income (loss) (GAAP)	**($141)**	**($250)**
Plus: Provision for income taxes	32	45
Pretax income (loss)	**($109)**	**($205)**
Non-operating adjustments (before tax)		
Workforce rebalancing charges	58	4
Charges related to ceasing to use leased/ fixed assets and lease terminations	10	-
Transaction-related costs	42	103
Stock-based compensation expense	22	26
Amortization of acquisition-related intangible assets	8	14
Other adjustments[1]	16	9
Adjusted pretax income (loss) (non-GAAP)	**$47**	**($50)**
Adjusted pretax margin	*1.1%*	*(1.2%)*
Interest expense	29	20
Depreciation of property and equipment, and capitalized software	210	228
Amortization of transition costs and prepaid software	325	293
Adjusted EBITDA (non-GAAP)	**$612**	**$491**
Operating margin[2]	*(1.8%)*	*(4.4%)*
Adjusted EBITDA margin	*14.6%*	*11.5%*
Revenue (GAAP)	**$4,193**	**$4,288**
Net income (loss) margin	*(3.4%)*	*(5.8%)*

Reconciliation of adjusted pretax income (loss) to adjusted net income (loss) and adjusted EPS	Three months ended June 30, 2023	Three months ended June 30, 2022
Adjusted pretax income (loss) (non-GAAP)	**$47**	**($50)**
Provision for income taxes (GAAP)	(32)	(45)
Tax effect of non-GAAP adjustments	(15)	(5)
Adjusted net income (loss) (non-GAAP)	**$0**	**($100)**
Diluted weighted average shares outstanding	227.9	225.3
Diluted earnings (loss) per share (GAAP)	(0.62)	(1.11)
Adjusted EPS (non-GAAP)	**$0.00**	**($0.44)**

Reconciliation of cash flow from operations to adjusted free cash flow	Three months ended June 30, 2023
Cash flow from operations (GAAP)	**($173)**
Plus: Transaction-related payments	42
Plus: Workforce rebalancing payments	79
Plus: Significant litigation payments	33
Plus: Payments related to lease terminations and ceasing to use fixed assets	7
Less: Net capital expenditures	(94)
Adjusted free cash flow (non-GAAP)	**($106)**

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Numbers may not add due to rounding

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

[2] Operating margin is calculated by dividing net income (loss) less income taxes, interest expense and other expense (income), by revenue

Definitions and rationale for non-GAAP metrics

Metric	Definition
Adjusted EBITDA and 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/fixed assets, charges related to lease termination, transaction-related costs, pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, workforce rebalancing charges, impairment expense, significant litigation costs, and foreign currency impacts of highly inflationary countries. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA, as defined above, by revenue. Management uses adjusted EBITDA and 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 and 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 and adjusted pretax margin	Adjusted pretax income is defined as pretax income excluding transaction-related costs, charges related to ceasing to use leased/fixed assets, charges related to lease termination, pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, amortization of acquisition-related intangible assets, workforce rebalancing charges, impairment expense, significant litigation costs and foreign currency impacts of highly inflationary countries. Adjusted pretax margin is calculated by dividing adjusted pretax income, as defined above, by revenue. Management uses adjusted pretax income and adjusted pretax margin to evaluate our performance. Management also uses them when publicly providing our business outlook. We believe adjusted pretax income and adjusted pretax margin are helpful supplemental metrics for investors in evaluating our operating performance because they can be used by investors to measure a company's operating performance without regard to items excluded from the calculation of such measures, which can vary substantially from company to company. Adjusted pretax income and 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 net income, adjusted net margin and adjusted earnings per share (EPS)	Adjusted net income is defined as adjusted pretax income less the reported provision for income taxes, minus or plus the tax effect of the non-GAAP adjustments made to calculate adjusted pretax income, and excluding exceptional items impacting the reported provision for income taxes. Adjusted net margin is calculated by dividing adjusted net income by revenue. Adjusted earnings per share (EPS) is defined as adjusted net income divided by diluted weighted average shares outstanding to reflect shares that are dilutive or anti-dilutive based on the amount of adjusted net income. Management uses adjusted net income, adjusted net margin and adjusted earnings per share to evaluate our performance. Management also uses them when publicly providing our business outlook. We believe adjusted net income and adjusted 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 earnings per share can be used by investors to evaluate operating performance attributable to equity shareholders. 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.

Definitions and rationale for non-GAAP metrics (continued)

Metric	Definition
Constant-currency	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. Management uses constant-currency measures to evaluate period-over-period operating performance on a more consistent and comparable basis. We believe that presentation in constant-currency is a useful supplemental financial measure to aid investors in understanding of the Company's period-over-period operating performance and provides additional insight into historical and/or future performance.
Adjusted free cash flow	Adjusted free cash flow is defined as cash flow from operations after adding back transaction-related payments, workforce rebalancing payments, significant litigation payments and payments related to lease terminations and ceasing to use leased assets, 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	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. 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.