

Westchester Putnam Counties Heavy & Highway Laborers Local 60 Benefit Funds v. Kyndryl Holdings, Inc., et. al

COURT: United States District Court for the Southern District of New York
CASE NUMBER: 1:26-cv-02211-JPO
CLASS PERIOD: 08/01/2024 - 02/06/2026
CASE LEADERS: Salvatore J. Graziano, John Rizio-Hamilton, Jorge G. Tenreiro
CASE TEAM: Shane Avidan, Clara Crenshaw

This is a putative class action in the U.S. District Court for the Southern District of New York alleging violations of the federal securities laws by Kyndryl Holdings, Inc. (“Kyndryl” or the “Company”) and certain of the Company's current and former executives (collectively, “Defendants”). The action was brought on behalf of all investors who purchased or otherwise acquired Kyndryl securities within a certain time period (the “Class Period”).

The initial complaint was filed on March 17, 2026. On May 12, 2026, the Court appointed International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario (“Local 793”) as Lead Plaintiff and Bernstein Litowitz Berger & Grossmann LLP as Lead Counsel.

Summary of Kyndryl's Alleged Fraud

Kyndryl is a global information technology infrastructure services provider that began operating as a standalone company in 2021, with its common stock trading on the New York Stock Exchange under the ticker symbol “KD.”

The initially filed claims arise from misrepresentations relating to the Company's free cash flow metrics and the adequacy of its internal controls over financial reporting. As alleged, throughout the Class Period Defendants repeatedly highlighted free cash flow as a key measure of the Company's financial condition and its prospects for sustained, profitable growth and attested to the accuracy of Kyndryl's financial reporting and the disclosure of any material changes to the Company's internal controls. In truth, the Company's reported cash generation depended on undisclosed and unsustainable cash management practices—specifically, certain executive officers systematically deferred vendor payments from one quarter to the next to manipulate free cash flow metrics. The Company's disclosure processes, accounting practices, and internal controls over financial reporting were materially deficient.

In February 2026, Kyndryl stated it would be unable to timely file its Quarterly Report on Form 10-Q for the quarter ended December 31, 2025. Kyndryl admitted that the Company's Audit Committee was reviewing its cash management practices, related disclosures regarding the drivers of its adjusted free cash flow metric, and the efficacy of its internal controls over financial reporting, following receipt of voluntary document requests from the SEC Division of Enforcement. The Company anticipated reporting material weaknesses in its internal controls spanning fiscal year 2025 and the first two quarters of fiscal year 2026, including deficiencies related to “tone at the top” and controls related to information and communication. That same day, Kyndryl announced the abrupt departure of its CEO and disclosed that its Global Controller had stepped down from his position. Additionally, the Company reported quarterly financial results that dramatically slashed its full-year fiscal 2026 guidance for free

cash flow to a range of \$325 to \$375 million, down from \$550 million. On this news, Kyndryl common stock fell \$12.90 per share, or more than 54%.

On February 17, 2026, Kyndryl filed its delayed Form 10-Q, which confirmed the material weaknesses in the Company's internal controls. The filing revealed that the Company's senior finance executives failed to set an appropriate "tone at the top" and that "disclosure processes, including with respect to certain cash management practices regarding deferring vendor payments quarter to quarter, were impacted." The Company also did not design or maintain effective controls related to communication pertaining to the disclosure process, nor did it maintain effective controls regarding the internal investigation, escalation, and documentation of complaints made through the Company's reporting hotline.