2026
TECH OUTLOOK

KEY TRENDS AND THEMES SHAPING THE YEAR AHEAD

Goodbody

At your side. On your side.

Marketing Communication

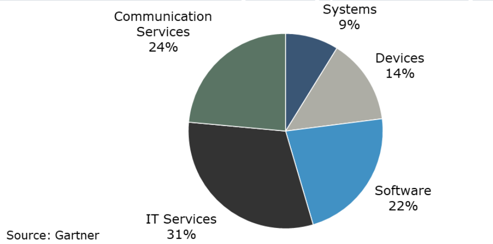
January 2026

2026 Tech Outlook

Resilient global demand into 2026 after strong growth in 2025

We are bullish on the overall Technology Sector into 2026. Technology spend continues to scale globally. Gartner forecasts worldwide Information Technology (IT) spending of c. $6.1tn in 2026, 9.8% up y/y. Datacentre systems are expected to grow by 19% following extremely strong demand in 2025 (+46.8%). Core IT Spending is expected to rise by 12.5% to $3.89tn; which includes an incremental $93bn in data centre spend and an additional $431.7bn in core IT spend (systems; software; IT Services) potentially linked to software upgrades relation to next generational technology such as generative artificial intelligence (GenAI) with the cost of software on the rise.

Share of total IT Spend ($5.5 trilion)

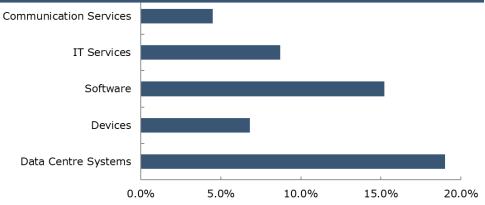


Source: Gartner

Hyperscalers dominate AI capex spend; Evidence of continued demand

Analysing the major hyperscalers, the direction of travel for AI capex spend continues to rise universally. Among the top 5 being Amazon, Meta, Google, Microsoft and Oracle, an accumulated spend of $241bn in AI capex in 2024, is set to rise to more than $620bn by the end of 2028 marking a 4-year Compound Annual Growth Rate (CAGR) if just over 26%. Supply is not currently close to matching demand levels at this stage.

Spending Growth by Segment (FY26)



Source: Gartner

Cybersecurity segment continues to consolidate

There is a need to simplify the tool structure within the enterprise amongst Chief Technology Officers (CTOs) and Chief Information Security Officers (CISOs) with centralised management. This is driving significant acquisition demand in the top-tier of the industry to have a platform suite to remain relevant at the enterprise end such as firewall, endpoint, cloud security. This is counter to a best of breed approach prevalent for the last number of years where companies chose the best tools on the market for each function. The recent examples include the Google acquisition of Wiz ($32bn) aiding cloud security skillsets for its clients, the Palo Alto Networks acquisition of CyberArk. Other areas like Data Security Posture Management and AI security are attractive to buyers given the underlying growth dynamics. AI is becoming an important part of the toolstack and organisations are actively deploying it to counter day zero attacks.

Software Services industry continues its growth curve

Vendors in the software space with large platform relationships and significant vendor breadth are performing strongly. There are still high levels of fragmentation. Changes in incentive structures such as the Microsoft changes have led to short term instability in terms of renewals. We continue to see increased specialisation entering the sales function and companies continuing to move towards a sector and size specific sales model both with its vendors. The key areas of demand appear to be cloud migration; cyber consulting and AI but we do note that AI related revenues are still more subdued than initial expectations.

The overall IT spend is expected to grow 10% in 2026

The total IT spend in 2025 amounted to c. $5.5tn; c. 10% growth y/y. This is expected to compound at 9.8% in 2026. The spend is going into five different components; and we discuss each below.

- **Data Centre Systems:** This grew strongly at 48% in 2025; and expected to grow at 19% again in 2026 to $582bn. The forecasts from Gartner from October 2025; eclipse the expected revenue generation initially anticipated in 2028 by the end of 2026. This means data centre related spend in 2026 is expected to be over 3x larger that of 2016. In particular, the growth for AI optimised server racks is high but demand growth is also limited by supply constraints.

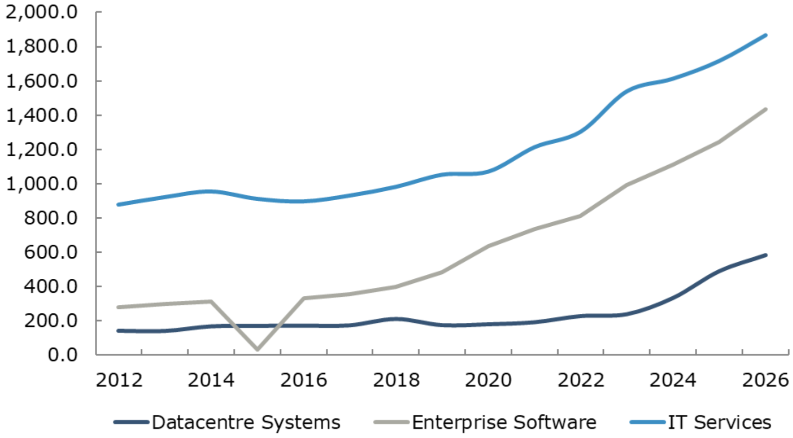
- **Enterprise Software:** Gartner anticipate global spend of $1.4tn in 2026 (+15.2% y/y); and this follows 11.9% annual growth in 2025.

- **IT Services** is expected to see accelerated growth of 8.7% in 2026 to $1.87tn following growth of 6.5% in 2025.

- **Devices;** Spend is expected to grow 6.8% to $836bn in 2026 following 8.4% in 2025. This higher growth in 2025 is being driven by strong mobile phone and PC shipment.

- **Communication Services** is expected to grow 4.5% in 2026 to $1.36tn following 3.6% growth in 2025.

Annual Core IT Spend 2012-2026 (in $bn)



Source: Gartner

Global AI Capex to breach $600bn by 2028; Debt funding on the rise

- Global AI capex spend expected to breach $600bn by 2028; a 50% rise from 2025 levels. Linking that to the macroeconomic environment, the rise in AI investment from minimal pre 2022 to c. 1% of GDP in 2025 looks similar in size to the US shale boom in the 2010s. It is about half of the size of the dotcom investment levels in the late 90s. The investment in commercial property in the 2010s and 1980s in Japan and Australia were almost 5x as large.

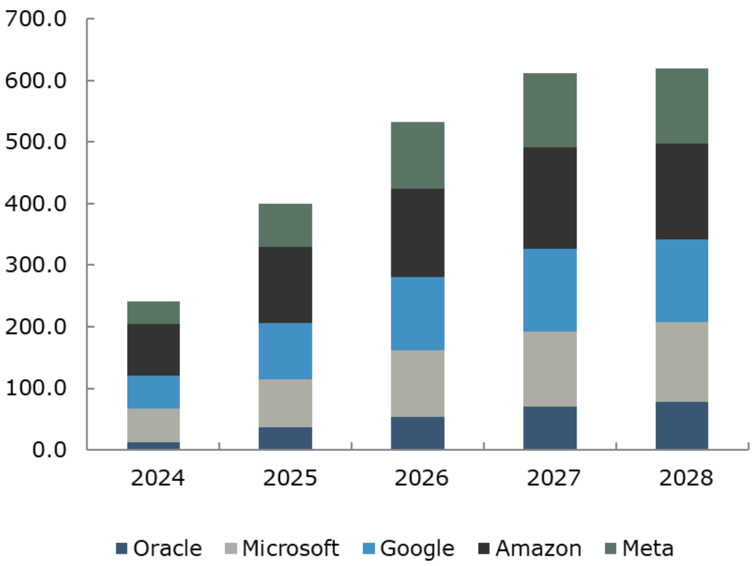
- The key areas of focus in spending increases include AI Compute (GPU, accelerators and servers (35-45%) with key beneficiaries including NVIDIA; AMD, Custom silicon hyperscalers, Data centre construction and power infrastructure (30-35%), Networking and optical interconnect (10-15%) and Cloud platform engineering and software (5-10%)

- In addition, the cumulative spend from 2026 to 2030 could amount to $4tn with companies chasing $1tn in incremental revenues over the next 5 years, 50% of which is coming from cloud services; 40% from digital advertising spend and 10% from AI subscriptions; businesses and customers.

- Looking at the 2021-2024 period, the historical capex led to incremental revenue of $0.90 and incremental EBITDA of $0.42 in the following year. Much of the capex is likely to be funded from debt with net related AI debt from issuers in the US doubled in 2025 to $200bn.

- There is a growing amount of this capex being funded by debt with net related AI debt from issuers in the US doubling to $200bn in 2025.

Total Capex Spend



Source: Bloomberg

Cybersecurity – Industry Trends for 2026

- Gartner project c. 12.5% growth y/y in the cyber market for 2026. This implies total revenue generation of c. $240bn. Much of this spend is falling into SAAS-based revenue models. The drivers include increasing regulatory action in the sector coupled with a growing awareness of cybersecurity threats in the organisation.

- The cybersecurity industry is seeing significant consolidation trends as bigger companies move towards platform-based approaches. This is in response to enterprise level requirements for a smaller number of tool providers and a more simplified structure.

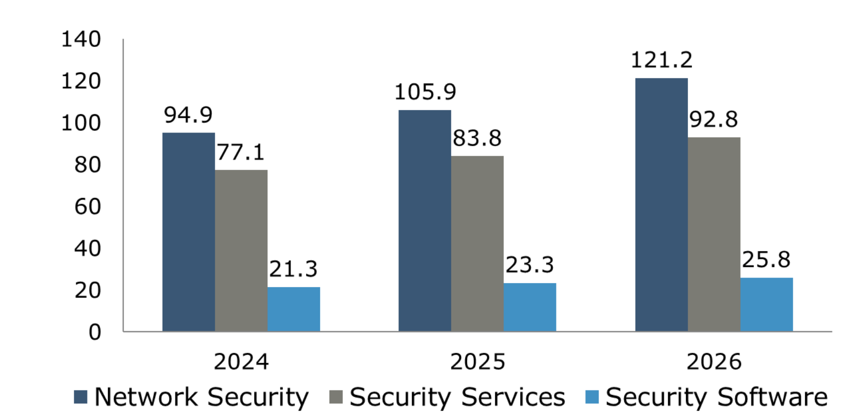
- As the attack surface widens, the propensity for more sustained cyber-attacks increase. Cyber attacks grew by 21% y/y in 2025, and ransomware is set to grow by 40% in 2026 as one of the leading forms of attack types.

- Breaking down by cyber spend type, the fastest growing segment is software security which is expected to reach $121bn next year +14.4% y/y led by cloud security tools as organisations continue to move off prem into cloud settings with their data.

- This aligns with our view that the product side of cyber is performing much stronger than the consulting element as we have seen with various companies reporting lower utilisation than anticipated over the past year. This is also a feature of the macro environment which is driving CISOs to be budget conscious and cautious with regard to new security spend.

- Gartner point to the SME area as one that is well positioned giving rising defence budgets, growing awareness of cyber risks and the increasing global regulatory pressure for compliance. For instance, the EU AI act is driving an increased defence requirement for companies that deploy AI tools, which will drive AI defence software demand. Similarly, the Data Protection GDPR Act has led to an increase in compliance spending to ensure companies are protecting personal data.

Total Category Spend in $b in the cyber sector



Source: Gartner

Software services revenue is expected to grow strongly

- Gartner point to an 8.7% growth rate in IT Services, a major component of the overall IT budget in 2026 for overall revenue of c. $1.87tn. This follows 6.5% growth in 2025. There are various reasons that are driving the uptick in demand on the services side including 1) increasing threats on the cyber side driven from a broader attack surface; 2) increasing use of AI tools by public and private companies; 3) ongoing digital transformation within companies. Furthermore, this is also supported by growing regulatory and compliance requirements globally.
- The market remains extremely fragmented globally. Taking the Irish and UK market for software services; IDC estimate the total market size is c. $9bn. The bigger companies in the category have been sustaining top line growth rates of double-digit per annum including Bytes, Softcat and others. The greater the number of IT partners and specialism within the group, the stickier the growth rate. The tailwinds that are persisting for these companies include digital transformation, cloud products, cybersecurity and AI tools. Having preferred seller relationships with the Bigtech companies particularly Microsoft with Azure, has been an important part of the growth journey for Bytes for instance. Though in more recent times, changes to the way Microsoft incentivise their resellers have caused short term growth constraints. This is easier for bigger companies like Bytes to swallow but harder for smaller companies.
- We continue to expect broader consolidation in the reseller space in Ireland and UK. This will be in part driven by the vendors to have a smaller but more scalable number of partnerships and SMEs to have a access to partners that offer the most expansive IT vendor relationships. Therefore we continue to expect to see strong growth for some of the bigger players and further M&A as the sector consolidates around a smaller number of key players.

Video Games Sector and Outlook

Growth is returning

- The Global Video Games Sector is expected to reach $197bn in 2025, according to estimates from Newzoo which were upgraded in late 2025. The split includes mobile game revenue of $108bn (+7.7% y/y), console games revenue of $45bn (+4.2% y/y) whilst PC gaming is expected to generate 10.4% growth in 2025. Growth is expected based on a strong slate of releases; a successful Nintendo Switch 2 launch in June on the hardware side; and resilience of evergreen titles in the mobile market. With the global player base now at 3.6bn, market forecasts point to 4bn players by 2028. Amongst the player base, c. 44% are described as paying players, an average spend of c. $120 per player across all platforms in the year. Regionally, APAC is the top share of global revenue, but LATAM and MENA represent the fastest growing zones in revenue growth and player numbers.

Waves of consolidation anticipated

- Due to the presence of acquirers such as PIF who are looking to create a major games hub in Saudi Arabia with an ambition to deploy $38bn into the sector, we are seeing broader consolidation with the $55bn take private of EA the most significant deal since Microsoft bought Activision in 2021. Intellectual property (IP) is an important part of the equation and the globalisation of IP. This is driving Asian developers to consider acquisitions of European IP and Western IP generally to understand that player audience and use their knowledge of monetisation in Asia to make a globally successful game. Companies such as Krafton and Smilegate are in this equation.

Companies focusing on core competency; Cost reset

- As a result of the oversupply of games, and the reduced gameplay post COVID, the sector has broadly had a cost reset, and firms have mainly retreated into genres or platforms where they have most DNA with their player bases and stronger IP. This has led to significant title cancellations mid-cycle, operational cuts, and shutdowns. We have seen this in the UK with indie developers reducing the bets they make on third party titles in funding terms; whilst we have also seen it across AAA where only the top projects are making it through.

Growth funding deficit

- VCs remain active but mainly at Seed and Series A. There is limited appetite for growth rounds unless revenue and progression are best-in-class. It is no longer about backing teams with proven pedigree; it is about KPI delivery; and bootstrapping is becoming more of a feature.

GenAI becomes a more meaningful focus

- The industry was initially hesitant on AI with copyright risks among some of the more material issues for AAA IP owners. However, the industry is certainly experimenting across the production phases including Art, QA, and other areas. Experimentation is driving faster core concepts; and aiding artists to iterate their models faster and broaden the scope of their work. There are hundreds of tools that developers are considering across the layers of game development.

Tech M&A in 2025

2025 has seen some transformational acquisitions across the tech ecosystem.

Target	Segment	Acquirer	Amount
EA	Games	PIF	$55.6bn
Aligned Data Centres	Data Centres	Consortium (Nvidia)	$40bn
Wiz	Cyber	Alphabet	$32bn
CyberArk	Cyber	Palo Alto Networks	$25bn
EchoStar	Networks	AT&T	$23bn
Juniper	AI	HPE	$13.4bn
Dayforce	Software	Thoma Bravo	$12.3bn
WNS	AI Services	Capgemini	$3.3bn

Source: Goodbody Research

- In terms of some of the major deals, we note the take private of Electronic Arts as a significant moment in the games industry in terms of the continued importance of the Middle East in terms of IP ownership. It follows significant acquisitions by the Saudi national sovereign wealth fund across the games industry including the acquisition of several IPs in the mobile space including Scopely for over $4bn.
- The other major segments where big ticket deals are occurring include in the cyber segment where consolidation of tools is driving the bigger players to enter new verticals of cyber including cloud security, and Identity. With the wave of GenAI entering the tech stack; the regulatory and enterprise need for AI security solutions is driving lots of dealflow in this space. Agentic AI security solutions are generating high demand.
- Data centres and AI are another big component of the key deals in 2025 as the AI wave continues to permeate. Demand for data centre capacity is significant. With demand for renting capacity scaling given the shortage of new build, this is driving acquisition appetite in the area particularly from hyperscalers.
- The buyer profile includes the incumbent players; but we are also seeing continued activity from buyout private equity funds with Thoma Bravo in the software segment.

Fundraising in Europe

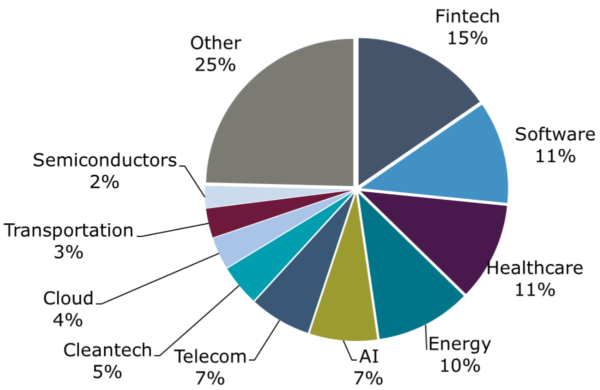
According to TechEU, European Technology companies raised over $72bn in 2025 across 3,740 deals. This is the second strongest year to date demonstrating resilient investor attention in the region.

- Like some of the larger tech deals taking place globally, we are noticing an emphasis on the following sub-themes: GenAI platforms; Embedding GenAI solutions into different industries; AI security; LLMs and supporting infrastructure for the AI roll out as some of the large consumers of later stage funding in 2025.

Some of the more notable deals include:

- ***Mistral AI****;* which raised €1.7bn, doubling its valuation to €11.7bn with the funds used to accelerate research, expand computing infrastructure and scale its AI platform globally.
- ***Nscale;*** raised $1.53bn which operates high performing AI infrastructure, with the funding used to expand its AI data centre capacity.
- ***Bending Spoons in Italy*** *raised €1.*1bn to at an $11bn valuation and plans to develop proprietary technologies and AI tech; as well as pursuing acquisitions to expand its portfolio of consumer and enterprise digital products.
- ***EcoDatacentre raised*** *€1.*05bn which builds and operates high performance data centres with the funding to expand capacity to meet growing demand for AI and cloud services
- **NXP Semiconductors** raised €1bn to fund research and development as well as manufacturing expansion. It develops a broad range of high-performance semiconductor products.
- **Grammarly**, an AI powered writing assistant raised $1bn to scale sales and marketing as well as for strategic acquisitions
- **Nebius raised $1bn.** Nebius is an AI cloud infrastructure with high performance GPU clusters and tools to support development, training and advanced machine learning on a secure, cost-optimised platform
- **Nokia** raises $1bn as part of the plan to integrate AI into telecommunications networks and advancing data centre development
- **Helsing**, a German based business developing AI-driven software for defence and security applications raised €600m at a €12bn valuation.
- **Isopmorphic Labs** raised $600m to advance development of its next-gen AI drug design platform.

2025 Deals by Category - Total amount deployed in Eur $72bn



Source: Tech EU

Conclusion and Outlook;

Cloud; GenAI and Data centres primed for strong acquirer appetite

- Overall, the Technology sector has been a prominent driver of global funding and M&A activity throughout 2025. The industry is going through material transformation as GenAI models continue to iterate at breakneck speed.

- To fuel the advancing maturity of these models; their data and energy requirements as companies continue to adopt and deploy their plans, this necessitates a huge AI capex program to be built out by the end of this decade of more than $4tn globally.

- Keeping this capex amount in mind; we believe that whilst the traditional areas of tech such as enterprise software will continue to grow and remain attractive targets; the higher impact areas for funding are likely to be cloud; AI; cyber and data centres as business models evolve and GenAI deploys at scale into the global economy.

- We expect to continue to see incumbents as key acquirers as they look to productise their platforms such as in the cyber industry but we also believe that this will continue to occur at the model layer as the race to monetise these platforms continues given their capital intensive nature.

Goodbody

At your side. On your side.