Bundle | 26 January 2026

TMT

# Telecoms Outlook 2026: Communicate, work and play

In 2026, telecom companies will see somewhat higher revenues from upgraded 5G and fibre networks. Operators will work to get users onto fibre, while society increasingly demands space for children to play away from screens. Expect M&A, albeit non-transformational on a European scale

## In this bundle

TMT

### European telecoms set to see modest growth in 2026

We remain constructive on the outlook for the European telecom sector. Sales should grow by 2%. EBITDA growth is likely a bit higher

By Jan Frederik Slijkerman

TMT

### Fibre operators need more time before the cash flow jaws open

Fibre is to become widely available by 2028 and pass through more than 80% of homes in 2026

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### European mobile networks lose ground in the global 5G race

Europe risks falling behind Asia, the USA, and the Middle East in 5G leadership

By Jan Frederik Slijkerman

TMT

## Defining moment for telcos as offline-childhood trend accelerates

As research flags smartphone risks for children, telcos face pressure to define their role and offer safer digital options

By Jan Frederik Slijkerman

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TMT

## M&A may provide a tailwind to the telecom sector in 2026

Expect more telecom mergers in 2026. We think consolidation is possible in Italy and France

By Jan Frederik Slijkerman

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## Telecoms Outlook 2026: Communicate, work and play

Our Telecoms Outlook explores key themes for the sector in 2026

By Jan Frederik Slijkerman

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# European telecoms set to see modest growth in 2026

We view 2026 positively for the European telecom sector. Sales should grow by 2% due to new services and price increases. EBITDA growth is likely to be a bit higher because of cost rationalisation efforts. We do not see investment coming down a lot because of the need to upgrade mobile networks to 5G Standalone and to extend fibre to more customers

We see competition coming from new satellite services and new fibre operators

## 2% revenue growth does not suggest plain sailing for telcos

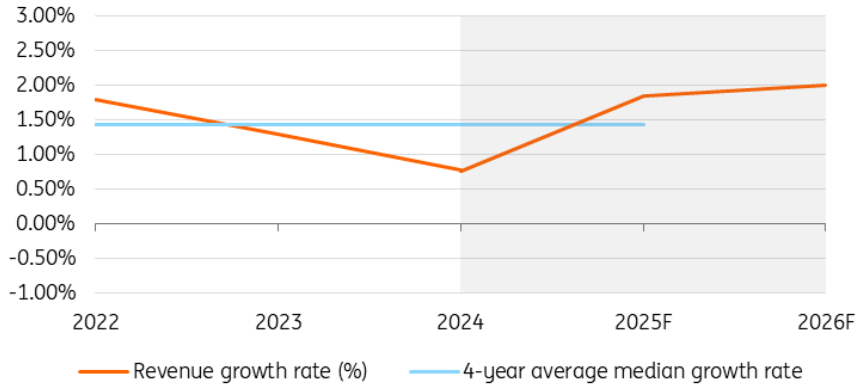
The waters look calm in the telecom space. However, companies need to work hard to maintain their top-line growth, especially in markets with many operators. We see competition coming from new satellite services and new fibre operators, often competing on price. Also, in the business segment, we continue to see the impact of over-the-top services, like Teams and WhatsApp. Telecom companies have to step up their game to bring competitive packages to small and medium-sized businesses. KPN offers a good example of a

company that has renewed its SME offers.

Our expectation for 2% top-line growth, therefore, comes from the sale of new services, like bigger bundles, higher speeds, or low-latency gaming packages, but also from some price increase. However, revenues will be held back by discounts to new customers and price pressures in the value segment. Furthermore, we expect Average Revenue Per User (ARPU) to remain relatively low in markets such as Italy and Spain. There is also a risk of lower ARPU in Belgium coming from the new entrant, Digi.

A few companies, such as Altice France, will find it hard to maintain profitability, lowering the overall outlook. This profitability challenge for some operators is partly driven by a regulatory framework that fosters intense competition in certain countries, in our view.

## Expect 2% revenue growth



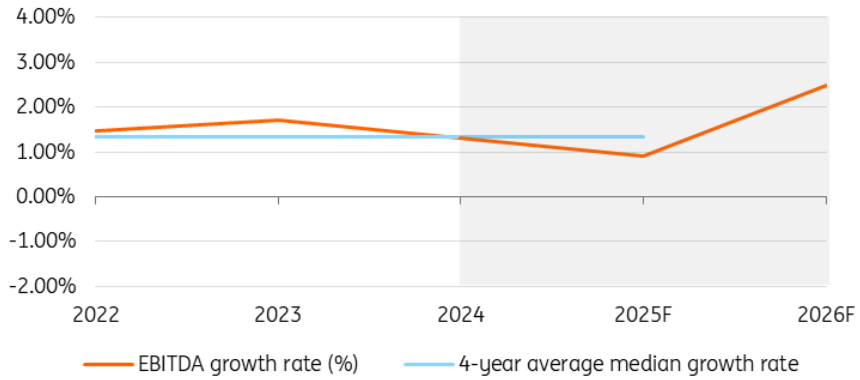

Source: Companies, ING

## EBITDA to grow faster than revenues as costs can be cut

Manual switchboards are long gone, and automation has steadily reduced operating costs for telecom operators ever since. We expect this trend to continue in 2026. Be it through the copper switch-off, network automation, or a more efficient customer service, with the use of AI. Companies such as Telefonica and BT have announced reorganisation programmes, while Telia is working on one.

But we also see higher costs, stemming from investment in AI tools, reorganisation costs, the development of new 5G services, and sometimes elevated subscriber acquisition costs. All in all, we expect EBITDA growth to outpace revenue growth by 0.5% and see median EBITDA growth among European telecom operators of about 2.5%.

## EBITDA growth to outpace revenue growth



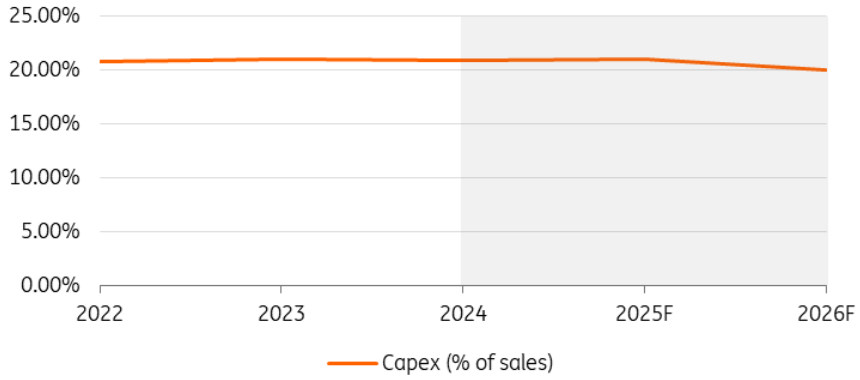

Source: Companies, ING

## Capex remains high, but could surprise on the low end

We have read some upbeat messages that cash flows could increase this year on lower capex. According to this view, free cash flow may expand because of lower investment needs now that the fibre rollout is coming to an end in some countries. This argument has merit. However, it ignores the fact that operators may want to roll out networks in remote areas, while they still need to connect the homes passed. And this comes at a cost.

In our view, until now, investments in fibre have been prioritised over investments in 5G standalone networks. We expect investments in 5G SA to become a priority now. Also, further costs will come from investments in new mobile sites or upgraded antennas and the development of new AI services. We expect median capex-to-sales numbers to be in the 20% area.

## Capex will likely trail off a bit, but not much




Source: Companies, ING

## A solid 2026 outlook but higher growth in non-regulated industries

Although the above points to solid cash flow generation, these are far from the growth rates of the large technology platforms. This may be a disappointment for some, but can be explained by the infrastructure-like returns, and also by the regulatory framework, limiting product and pricing differentiation, and limiting the ability to sell advertisements.

Nevertheless, we think our forecast shows that the telecom sector matches the business fundamentals sought by corporate fixed income investors.

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# Fibre operators need more time before the cash flow jaws open

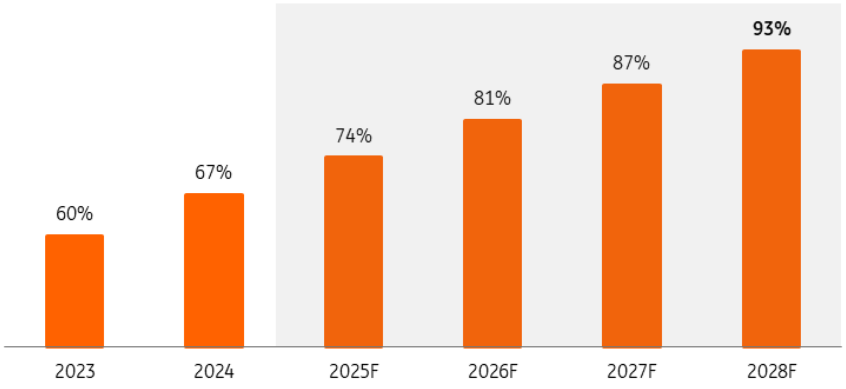
Plans for Europe's digital decade include widespread fibre availability by 2028. Fibre will likely pass through more than 80% of homes in 2026, but connecting the remaining areas will be costly. Customers also do not appear eager to adopt the new technology, making full fibre coverage increasingly unappealing

Fibre is to become widely available by 2028 and pass through more than 80% of homes in 2026

## 81% of Europeans will have access to fibre in 2026

The fibre rollout is well underway in most European countries, including the UK. We continue to hold the view that by 2028, more than 90% of European households will have fibre access. As we'll show below, this is driven by strong efforts in some of the larger European countries. However, in many other regions, we expect the fibre rollout to come to a halt in the coming years, as it becomes increasingly costly to connect the remaining homes.

## Fibre networks expected to pass through 90% of homes in 2028

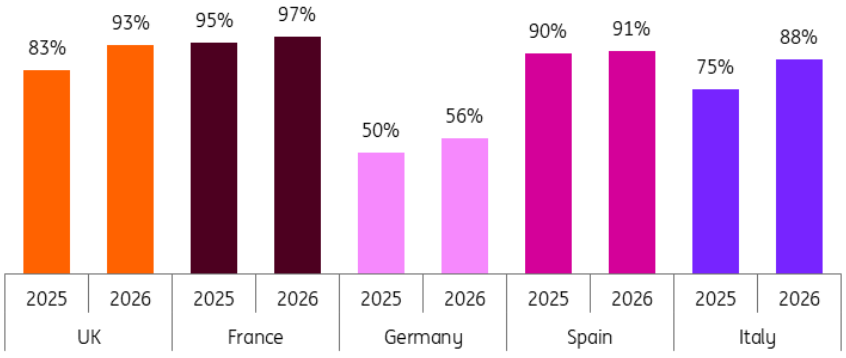



Source: FTTH Council, ING

Last year, we wrote that countries such as Italy and the UK would have to take significant steps to achieve more than 90% fibre coverage. They are succeeding, and we expect fibre coverage in most large European economies to reach 80% in 2026.

The notable exception is Germany. We estimate that by the end of 2025, only about 50% of households will have fibre coverage. This isn't certain, though, as Deutsche Telekom notes that the take-up rate in Germany remains low. Increasing the take-up rate remains a key challenge in many European countries, including the Netherlands, the UK, and Belgium.

## Germany is holding back the overall coverage rate for Europe




Source: FTTH Council, ING

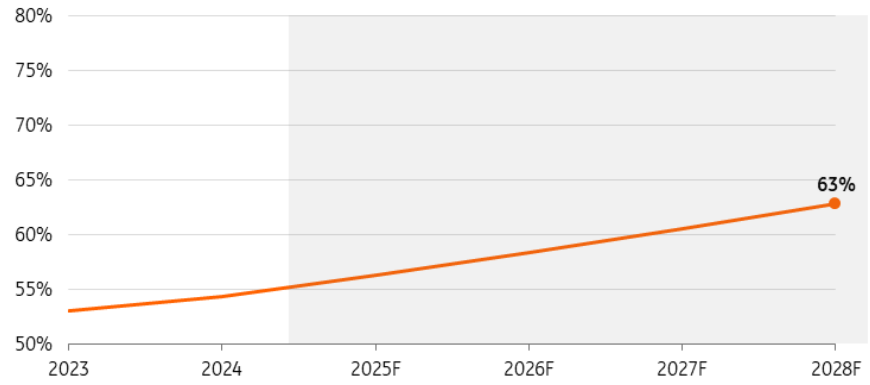
## Cable remains a competitive technology

Let's discuss one explanation for the slow improvement in take-up rates. We expect the take-up rate to be around 58% in 2026 and 63% in 2028, as can be seen in the figure below. The

slow improvement shows it is difficult to quickly fill the network with customers, because of technical and regulatory challenges, but also because of competition. Interestingly, what Germany, the UK, the Netherlands, and Belgium have in common is a strong cable operator. In our view, cable technologies remain competitive with new fibre technologies. Customer churn will be low if hybrid fixed-coaxial (HFC) networks offer high speeds and customers are satisfied with their bundles.

Greenfield operators then face a difficult challenge in growing their market share. They may capture a high market share among switching customers, but overall growth remains low if only a few customers switch to a new operator each year. Countries such as Spain, Portugal and France are leading in fibre take-up rate. Interestingly, these are countries in which cable operators moved to fibre technology.

## We expect a 63% take-up rate by 2028




Source: FTTH Council, ING

## Keeping customers happy is the key to success

Incumbent telecom operators are facing increasing competition from alternative fibre networks (Altnets). Examples of affected companies are BT and VodafoneZiggo. VodafoneZiggo's strategy focuses on customer satisfaction through faster speeds, an indoor Wi-Fi guarantee, competitively priced mobile plans, and excellent customer service. Added perks include free movies, media and sports packages, and a mobile app.

This offering is difficult for smaller companies to replicate. So, this means Altnets must focus on the value segment. Yet this has the disadvantage of lower profitability, which may not always match the roll-out costs of a superior technology. Companies such as KPN and Orange are, therefore, well-positioned to monetise their fibre rollouts in 2026. They combine market share with attractive packages and their own networks.

## New fibre networks face challenges

The challenge described above is also evident in financial markets. Investors are concerned about a tough pricing environment for broadband products. Looking at the UK, BT offers a promotion for its copper customers switching to fibre. According to Virgin Media O2, Sky and Vodafone in the UK offer 1GB fibre for only £21 per month.

Altnets struggles to grow revenue because they face difficulty with increasing take-up rates. This comes at a time when they often still need money to cover network expansion projects. Many Altnets remain in the construction phase. As a result, EBITDA growth is sometimes subdued. This brings valuation challenges and complicates M&A.

It is somewhat more difficult to calculate the enterprise value of a company with negative free cash flows, as there is more uncertainty about future cash flows. This may also explain why we hear few incidences of M&A and network consolidation. We do read stories of owners investing new capital in their businesses, as they remain confident that value will be created in the future. However, sometimes the capital injection is accompanied by a new business plan that includes a delay in new-build projects.

The focus is now on cash generation, as the era of cheap, QE money is over. Notable companies in the news negotiating new finance packages include CityFibre, Open Fibre, ODF, and Northern Fibre in Germany.

## Scaled back roll-out plans will be executed with focus on customer growth

We still maintain that fibre is a superior technology, and is good for European customers and businesses to upgrade to future-proof technologies. However, we have observed that the rollout is slowing, with scaled-back business plans and a stronger focus on customer growth. It will, therefore, take a little bit more time before the cash flow jaws open. That is to say, it takes time to accelerate top-line growth and reduce capital spending.

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# European mobile networks lose ground in the global 5G race

With the drive to invest in fibre networks fading, mobile networks are set to reclaim centre stage in 2026. While coverage is now fine for most people, further advancements are essential. Europe risks falling behind Asia, the USA, and the Middle East in 5G leadership

Most Europeans enjoy 5G connectivity, but top speeds are found elsewhere

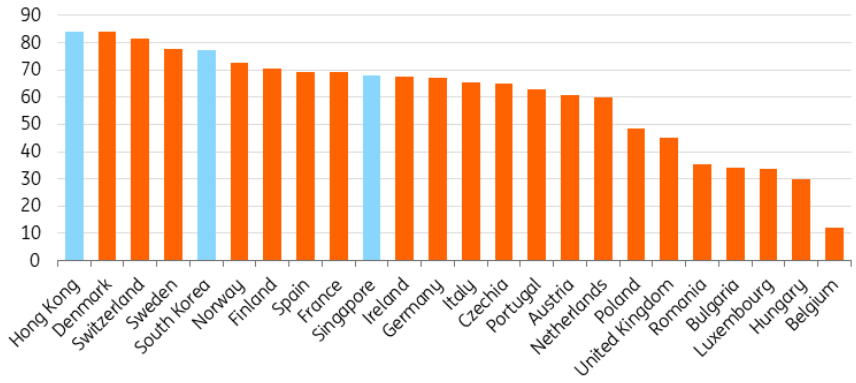
## We expect European countries to be technology laggards.

With telecom companies struggling to grow profitability, investments aimed at achieving technological leadership are likely to be delayed. However, state-of-the-art networks are important as they drive productivity growth across the broader economy.

As Europe does not yet have the best 5G networks, it risks falling behind Asia, the USA, and the Middle East in the race for technological leadership.

## Europeans cannot use their 5G device on a 5G network all the time

Availability of 5G networks, 1H25




Source: Ookla, ING

## 5G connectivity in Europe is good

Most Europeans regularly experience 5G mobile connectivity. As illustrated by the figure above, 5G network availability is rapidly becoming standard. According to network testing company Ookla, in most European countries, mobile users often have more access to 5G networks than those based on older technology. Although 5G coverage is lagging in Belgium, Hungary and the UK, 5G connectivity is the norm in Switzerland and Denmark.

This improvement has been achieved through better spectrum availability. Most EU member states have now allocated spectrum for 5G, while in some cases, policy measures have promoted coverage. Another contributor has been network sharing. In Denmark, the 5G roll-out benefited from strict rural coverage obligations, as well as a mobile joint venture between Telia and Telenor that efficiently improved 5G coverage.

However, Hong Kong and South Korea already have a high availability of 5G networks and are therefore well-placed to benefit from new innovative services. We could not find data on China, but 5G standalone networks there are already operational at scale, demonstrating China's technological leadership.

## 5G standalone becomes the norm for leading operators this year

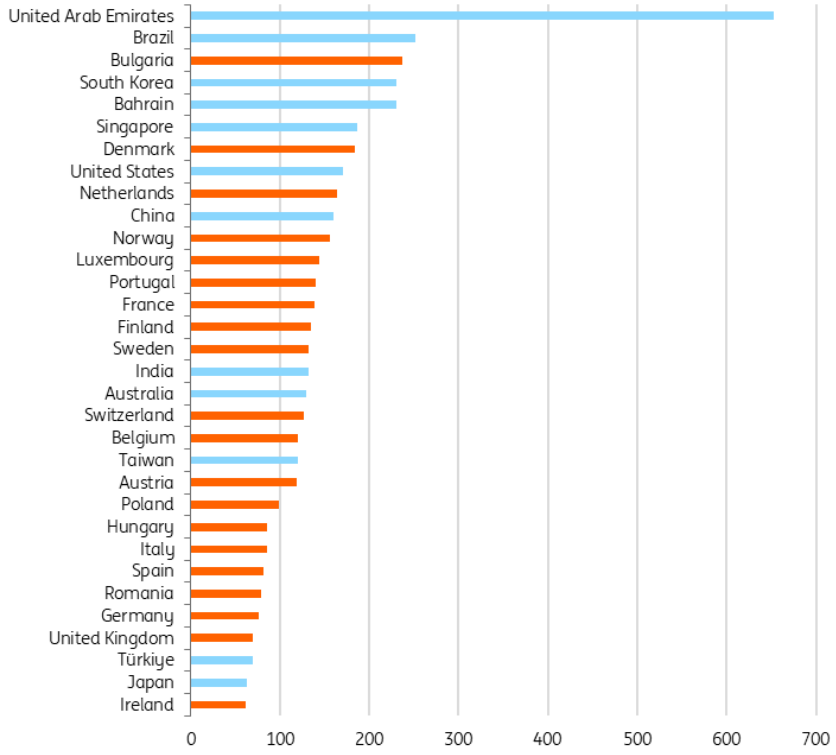
Ookla reports that countries like the UAE, South Korea, Singapore, the USA, and China outpace Europe in 5G speeds, with China implementing 5G networks already for productivity enhancements, according to the chairman of the European Round Table for Industry and chairman of Vodafone, Mr Van Boxmeer.

Nevertheless, we expect to see more commercial use cases of specific 5G standalone (5G SA) capabilities in Europe, as leading operators continue to invest in 5G SA, a cloud native network architecture.

Device ecosystem readiness is also improving. iPhones using iOS 17 and phones running on Android 12 and above support the dynamic selection of the optimal network slice. The availability of devices supports the development of 5G SA. This is key to Europe becoming a frontrunner again.

## European mobile network speeds are lagging

The average mobile download speed is higher in countries such as the USA and South Korea




Source: Ookla, ING

## What service does the technology race entail?

The standard setter 3GPP has defined three primary service categories for 5G SA: Enhanced Mobile Broadband (eMBB), Ultra-Reliable Low-Latency Communications (URLLC), and Massive Machine-Type Communications (mMTC / IoT).

First, a tangible benefit of Enhanced Mobile Broadband capabilities is the available capacity for Fixed Wireless Access (FWA). Trials are also taking place in the media sector, where 5G pilots

evaluate business cases involving high-resolution video and AR/VR applications. Enhanced mobile coverage in crowded areas, such as public transport or stadiums, is another benefit of 5G standards.

We're already seeing the rising significance of low-value subscriptions for IoT-based services. As a lower cost of devices enables more use cases, we see this segment growing. In combination with broader service packages focusing on (factory) logistics, transportation, and location services, this opens up new revenue streams.

We do not yet see many examples of service packages providing private network services. However, 5G often works better than Wi-Fi, while telecom network operators often have more scale. We still expect to see the development of private network use cases in 2026.

## Increasing focus on network reliability

In 2025, several countries faced mobile network outages, including Spain, the Netherlands, the UK, and France. Regulators are expected to pay closer attention to reliability, given telecom's role as critical infrastructure. Still, it will remain a challenge improving speed and reliability while competition makes it difficult to increase prices.

### Key takeaways for 2026

In 2026, mobile networks in Europe will remain strong, often excellent, but other regions will continue to lead. This is a problem because we need advanced telecom services to enhance European productivity. Still, Europe is set to make progress: expect more focus on 5G standalone, expanding IoT services, and wider adoption of Fixed-Wireless Access.

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# Defining moment for telcos as offline-childhood trend accelerates

Parents across Europe are pushing for offline childhoods as research links heavy smartphone use to reduced wellbeing. Policymakers are reacting with restrictions, and telcos now face pressure to define their role, offer safer tools, and support alternatives that promote healthier digital habits

Lost in the screen: Research warns that excessive smartphone use among children can lead to increased distraction

## Telcos face a pivotal moment

Smartphones have become part of children's daily lives, offering convenience and connectivity. At the same time, researchers are increasingly examining how early exposure affects child development, while parents across Europe express growing concern about the impact on social, emotional, and cognitive growth. Some parents are even calling for a smartphone‑free childhood.

Some telecom providers already offer various tools that help families set boundaries online. But the industry could also seize this opportunity to sell services to children that are better

aligned with an offline lifestyle. Either way, operators are being drawn into the debate and must consider where they stand as societal expectations shift.

## Debating children's smartphone use

Recognising the importance of in‑person interactions that foster empathy, cooperation, and resilience, parents are exploring ways to encourage their children to spend more time offline. They are concerned that constant digital distraction limits children's opportunities for real‑world development and look for ways to reduce screen time.

Debates over the harmful effects of children's smartphone use remain widespread, while researchers continue to investigate the effects of early and frequent smartphone use. While waiting for clearer guidance from both policymakers and scientists, many parents feel they need to act to protect their children.

At many primary and secondary schools, students now have smartphones, and media reports suggest that parents are increasingly uneasy about the consequences. Across Europe, families worry about heightened anxiety levels and shorter attention spans, a sentiment that has helped fuel new grassroots initiatives.

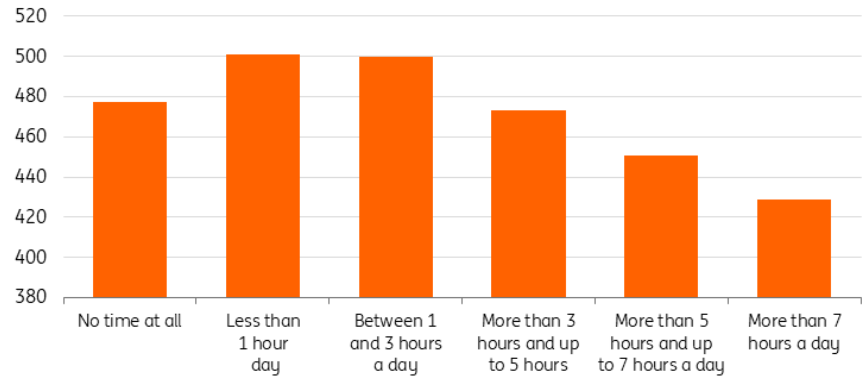
## The Smartphone Free Childhood movement

Inspired by developments in the UK, where the Smartphone‑Free Childhood initiative originated, parents across Europe are joining collective efforts to protect what they see as a unique and formative period of childhood. They believe online distractions reduce the space children need for unstructured play and real‑life problem‑solving. Many parents want their children to become authentic individuals who remain true to themselves and see social media and an online lifestyle as undermining that goal in harmful ways.

## What the research says

The OECD's triennial Programme for International Student Assessment (PISA) study offers a nuanced perspective. The 2022 results show that moderate use of digital devices can enhance students' performance in school and strengthen their sense of belonging. However, when 15‑year‑olds use their smartphones for more than three hours per day, their mathematics scores decline, and they are more likely to feel distracted and less connected to their school environment. The findings highlight the importance of limiting digital distractions rather than eliminating technology altogether.

## Spending more time on social media reduces mathematics scores




Source: OECS (PISA), ING

## Growing legislative pressure

Policymakers across several countries are taking note of these concerns. Australia and Denmark have introduced social‑media bans for first‑year college students, and France is considering similar measures. The UK is exploring new actions as part of ongoing research related to its online safety act. The Netherlands has already banned smartphones in schools. Elsewhere, parental‑consent frameworks are being strengthened in place of outright bans. These developments illustrate that the debate is no longer confined to family decisions; governments are becoming active participants.

## How telecom providers and tech firms can shape the response

Telecom providers and technology firms have already found ways to support families. Some offer parental control tools, data use restrictions, and app blocking features. Others contribute through social responsibility campaigns. KPN launched a campaign to stop online pestering, while Deutsche Telekom initiated efforts to raise awareness about the potential consequences of parents sharing pictures of their children online. These examples demonstrate that operators have a role to play not only in online safety but also in shaping children's digital habits.

## Opportunities in alternative products and services

Campaigners propose alternatives to regular smartphones, such as audio players, basic phones, and simplified smartwatches. Some of these devices naturally fit within telco portfolios because they require SIM cards or data connections, including certain wearables and trackers used to locate children's bikes. Offering such products would allow telecom providers to stay engaged with a new generation of users in a responsible manner, helping retain future customers while encouraging a more mindful approach to technology.

## Looking ahead: 2026 will intensify the debate

The discussion around the negative effects of smartphones on children is likely to intensify in 2026. Companies must now define their position on societal responsibility. A deeper understanding of both the challenges created by smartphones and the potential solutions will be essential. Telcos sit at the intersection of technology, family life, and public policy, and their stance will help shape expectations around digital wellbeing in the years ahead.

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# M&A may provide a tailwind to the telecom sector in 2026

Large telecom mergers were completed in 2025, and we expect that there's more still to come. As the era of free money is over, executing transactions has grown more challenging, especially in the digital infrastructure space. Over time, we think further consolidation is possible. Companies in France have already made an offer for parts of Altice France

The developments around alternative fibre networks (altnets) in Europe offer exciting prospects for a changing European telecom landscape

We've seen numerous significant M&A transactions lately. In the UK, Vodafone UK has merged with Three UK, creating a dominant player in the British mobile market. At the end of 2025, MasOrange became fully owned by Orange and is now a strong competitor to Telefonica in Spain.

A few smaller transactions have also taken place. German company 1+1 AG has acquired Versatel, Liberty Global has sold UPC Slovakia and Digi and Vodafone Romania have bought

OTE's Romanian mobile business. The Italian telecom market has been dynamic, too. Poste Italiane became Telecom Italia's largest shareholder, buying shares from CDP and Vivendi, while Telecom Italia has sold its submarine cable unit Sparkle to a consortium. This transaction is expected to close in March 2026. 2025 was the year that Swisscom's Fastweb started its integration of Vodafone Italia, following the legal merger on 31 December 2024.

We see scope for further consolidation in 2026 in Italy, as discussed below.

## The top countries with potential for consolidation

The idea that Europe has too many telecom operators compared to the US makes sense. However, given the fragmented regulatory landscape along national lines, we see limited scope for pan-European mergers. While there are limited benefits to pan-European mergers, we believe that there continues to be a rationale for domestic consolidation. Let's evaluate the potential for domestic consolidation in France, Italy, Spain and Germany.

We think consolidation in Spain and Germany is challenging, especially from a regulatory standpoint. There is a small possibility, in our view, that one of the three largest mobile network operators would buy a smaller mobile virtual network operator (MVNO) or the fourth-largest mobile network operator (MNO), but it is key that the wholesale market remains competitive, as competition authorities will have their say as well. There should be tangible benefits to consumers, such as better networks or guaranteed low prices, to get the green light from regulators. Moreover, we are not so sure if the fourth-largest operator in Spain, Digi, will be for sale. In Germany, it will be a challenge to guarantee a competitive wholesale market if 1&1 AG were to be bought.

We deem consolidation among mobile operators in France and Italy more likely. In France, the current situation is undesirable, as the profitability of Altice France has been under pressure for some time. This is not a sustainable situation, in our view. In the end, it is also in the interest of consumers and regulators that investments in networks are profitable. However, as the three main takeover candidates – Orange, Bouygues Telecom and Iliad – have substantial market shares already, Altice France may need to be bought by several buyers, resulting in a break-up of the company.

In Italy, we see scope for M&A between Iliad and CK Hutchison's Wind Tre; a merger between Telecom Italia and Iliad Italia has become unlikely, given the former's new shareholder and missed earlier opportunities. But arrangements also need to be in place to promote a well-functioning wholesale market, post any potential transaction. We also think it makes sense for telecom operators to buy the fixed wireless access business of Eolo, as this will bring them scale. We've detailed a separate discussion on consolidation among fibre networks below.

## Some investors take a portfolio approach

We expect most M&A action to come from companies that take a portfolio approach to their holdings. The figure below shows some potential buyers of telecom assets, companies from the Middle East, Iliad and Orange. CK Hutchison Group Telecom and Altice are likely sellers of telecom companies. Private equity and companies such as Liberty Global, Telefonica and Proximus will probably sell some assets and buy others. The Financial Times has already reported that CK Hutchison Group Telecom could sell its Irish business to Liberty Global, while Reuters reports that CH Hutchison weighs a listing of its global telecom assets. This implies, in our view, that Hutchison's telecom businesses in Sweden and Denmark are up for sale. Likely buyers in such a scenario are private equity funds or a Scandinavian telecom operator. This last option is more challenging from a regulatory perspective, although there is a greater potential for synergies.
Nevertheless, we think an increase in transactions would be a positive development for the sector, if the prices they negotiate are fair.

## M&A remains a source of opportunities and risks for the sector


Source: ING

Private equity ownership changes will likely also bring changes to the European telecom landscape. Bloomberg reports that Odido's private equity owners may list the company in 2026. Other companies owned by investors include Vodafone Spain and FiberCop, We think both companies will be sold in the coming years, as well as some fibre network operators.

## Alternative fibre network deals making headlines

The developments in alternative fibre networks (altnets) in Europe offer exciting prospects for the changing European telecom landscape. As we discussed in our article about the fibre rollout, gaining market share is not easy – still, there has been notable progress in altnet ownership. It is widely believed that KPN will take control of its Glaspoort JV, while Proximus may seek ownership of Unifiber now that it has acquired Fiberklaar. In France, the sale of an equity stake in xpFiber is making headlines, while VirginMediaO2 is looking for the acquisition of fibre networks in the UK. The media have mentioned Netomnia as a takeover candidate,

although CityFibre is also interested in M&A in the UK.

In Spain, two new fibre joint ventures have come to light: Fiberpass (with owners Vodafone Spain and Telefonica) and PremiumFiber, owned by MasOrange (58%), Vodafone Spain (17%), and GIC (25%). Given that these joint ventures were just recently launched, we think owners will stick to their ownership for a while.

In Poland, Orange Polska and APG have acquired Nexera, a fibre-optic wholesaler. Finally, developments are also unfolding in the Nordics, with EQT seeking the sale of GlobalConnect. GlobalConnect has already sold a network with 140,000 fibre customers to Telenor.

For 2026 and beyond, there are a few more transactions on our list. In the Netherlands, we expect DeltaFiber and OpenDutchFiber to be sold at some point. A partnership with VodafoneZiggo would make sense, but is unlikely in the short run, given VodafoneZiggo's efforts to upgrade its cable network. We have written about Dutch broadband markets recently, and continue to hold the view that ownership of VodafoneZiggo will likely change over time. In Germany, consolidation is not imminent in our view, as the fibre roll-out requires investments first. The soft cash flows make it difficult to assign the valuation that is probably required by the current owners.

One of the final, urgent questions out there concerns the Italian fibre market. We assess the likelihood of a merger between Openfiber and FiberCop as low, as both companies currently appear to be following their own operational strategies.

## We expect more transactions involving data centres and mobile towers

Throughout the years, we have witnessed many transactions by telecom operators to acquire data centres and towers. We expect this trend to continue, although it will be somewhat more challenging to execute transactions now that interest rates have risen and willing sellers have already taken advantage of the opportunities available in previous years. Increasing the tenant ratio for tower operators has proved a bit more challenging than expected and has slightly muted the investment case.

We also see that venture capital and private equity are looking for investments in AI technologies and data centres. However, access to power supply remains a challenge for data centres (and an opportunity for investors). Nevertheless, we expect that data centre investments will make many headlines in 2026, although this does not always entail carve-outs from telecom operators. We expect the data centre sector to be a fast-growing sector in 2026.

To wrap up, we expect quite a few M&A transactions, but the scale of the telecom and data centre sector will likely remain behind that of companies in the US for some time yet.

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