



Why Patheon Shares Skyrocketed

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of **Patheon** (TSX: PTI) [soared 62% today](#) after Dutch health care company Royal DSM partnered up with hedge fund JLL Partners to take the contract drug maker private.

So what: The all-cash deal values Patheon at \$9.32 per share and represents a whopping 64% premium to yesterday's close. Patheon is just the latest in a recent string of Canadian mid-cap health care companies to be taken private, suggesting that private equity firms and larger players see plenty of value in the space.

Now what: Patheon will be combined with DSM's existing pharmaceutical products business, with the new entity expected to generate revenue of about \$2 billion. "After a successful completion of the transaction, [the new company] will have an unmatched end-to-end offering from drug products to active substances," said Royal DSM CFO Rolf-Dieter Schwalb in a conference call. So while Patheon shares are likely all popped out at this point, other mid-caps in the sector might be worth looking into for some healthy hidden value.

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