



Queensland Coal took a chance on Jamie Pherous' company CTM and started something big. PHOTO: GLENN HUNT

# Thrill of the chase still driving Pherous to greater heights

**Travel** You work hard and you have one shot, says CTM's founder.

## Jamie Freed

It was the mid-1990s and young entrepreneur Jamie Pherous had set up a small travel agency in the Brisbane CBD, focusing on the corporate market. In a far cry from his former high-paying job at accounting giant Arthur Andersen's business advisory group, he was cold-calling local businesses to pitch for the role as travel manager.

Finally, there was a bite. A sizeable miner, Queensland Coal, decided to take a chance on his company, Corporate Travel Management (CTM).

"I remember the adrenaline today," Pherous, 46, tells *AFR Weekend*. "I'll never forget it because you work so hard and you have one shot. I remember to this day how excited I was to get that opportunity. And we also knew once we had that opportunity, we were never going to let them go and we were

going to look after them. I remember the very first time they phoned us to go first-class on trips around the world."

Queensland Coal has since been bought out and shifted to another agent as a result, but CTM now looks after clients across 23 countries and 46 cities, overseeing the business from the same Brisbane office building it started from with two employees in 1994.

It has been a meteoric rise for the company, which listed in December 2010 with shares at \$1 and is now trading nearly 12 times higher, at about \$11.65.

The prospectus revealed it had put through \$16 million of travel bookings for its clients in 2001. That is expected to rise to \$2.5 billion this financial year due to a combination of its organic growth and a series of overseas acquisitions.

CTM, with a market value of more than \$1.1 billion, is now firmly established in the benchmark S&P/ASX 200 index alongside another travel company founded by a Brisbane-based entrepreneur, Graham Turner's Flight Centre Travel Group.

Pherous says he learned a lot of lessons during the listing process, having

asked chief executives of his ASX-listed clients for advice. He interviewed 15 candidates for the chairman's role before settling on Tony Bellas, in part because of his previous experience working with private owners with a big shareholding in a business.

Most bosses complain that reporting half-yearly results to the market leads to a more short-term focus, but Pherous says the listing process has actually taught him to have a longer-term focus.

"When you are not public, you are really thinking about the car crash around the corner as opposed to what the business is going to look like in two or three years' time," he says. "For me, we have got a great team. They are managing the execution to FY15 but my head is right into FY16 but even FY17. Usually, my head is 18 months ahead of what we are doing."

CTM is now one of the 10 largest corporate travel managers in the world. For now, it remains in the second tier and focuses more on national or regional accounts, but it is beginning to nip at the heels of the majors in the

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## Thrill of the chase still driving Pherous

hunt for business from large multi-national corporations.

Pherous, who was raised by small business-owners in the upper middle-class Brisbane suburb of Kenmore, holds a 22.2 per cent stake in CTM, which is now valued at \$252 million.

Including \$23.3 million of proceeds from recent share sales, the married father of five boys is a contender for the next *BRW Rich 200* list.

"Unfortunately, I'm pretty normal," the avid surfer and skier says when asked about his wealth. "I'm just not material. What is the point of having 10 houses? To me that is 10 more headaches than you have today."

His biggest indulgence is an annual trip heli-skiing in Alaska with a group of three other friends. The four have known each other for more than 20 years and have vowed to make the

trip each year until they die or physically can't do it any more.

Pherous, who received \$362,000 in remuneration but \$2.76 million in dividends in the past financial year, says he is more proud about having created wealth for CTM employees, many of them women in an industry that averages about three-quarters female.

"In our business what is really satisfying for me, particularly with a lot of women in our business, is there is no doubt that people have become financially independent," he says.

"We made a lot of millionaires out of our staff through the listing."

On April 1, CTM Australia and New Zealand chief executive Laura Ruffles was promoted to become the company's chief operating officer, overseeing all global divisions.

Pherous says because travel is a service business, he spends most of his time focusing on people – either employees or clients. His obsession with service was what led him to make the risky decision to leave a cushy job at Arthur Andersen at the age of 25 to start CTM.

## We made a lot of millionaires out of our staff through the listing.

Jamie Pherous, founder of Corporate Travel Management

His role at the accounting firm had made him a frequent traveller all over the world, and over his journeys he realised the big corporate travel managers were little more than call centres.

"Call centres have a place, but not for technical or difficult travel," he says. "They were all about showing the cheapest fare or big discounts but there was no idea around the processes to really change the behaviour of traveller organisers generally to save money. Their technology tools were clunky."

To ensure it doesn't have a call-centre image, CTM focuses more on return on investment for clients rather than transaction commissions. "If you are spending \$10 million and we could turn it into \$8 million would you be

happy?" Pherous asks, using examples like a Smart Taxi app CTM developed to encourage travellers from the same company arriving at the airport at the same time to share a taxi.

Technology is one of CTM's key focuses, as automation boosts productivity and gives employees more time to provide better personalised service to clients. To date, the model has been working well. CTM's market share in Australia, which is about 11 per cent, has been creeping up through client wins even though the overall size of the market hasn't grown.

And its acquisition-led expansion into international markets, which began with New Zealand in 2010 and now also includes offices in the United States, Asia and Europe, gives it the ability to begin competing for global accounts. Further acquisitions are on the cards as the business grows.

"Outside Australia we are under 1 per cent of the market. So it is not like we have topped out by any means."

JPMorgan analyst Armina Soemino expects within five years, CTM will be putting through \$4 billion in annual

transactions, which compares with the \$4.8 billion of global transactions in Flight Centre's corporate business last year.

Pherous says CTM has made solid progress on winning regional accounts and on cross-selling existing clients to use his company in other regions as it has expanded, but some hurdles remain in snaring the truly global multi-nationals.

"We have come in second a lot in the last 18 months," he says. "They have said to us in every circumstance, we love what you are doing. Your technology and what you are doing locally is really refreshing. But the [procurement manager says], you know what, I'm on \$65,000 a year and I'm not going to get sacked for picking one of the big guys. So you go away and prove you can do it."

But Pherous is confident the company will eventually be able to compete on a more equal footing with the industry's biggest players.

"If I was all about money, I would have retired by now," the globe-trotting executive says. "I'm very results-driven. We have got big plans yet."