

# Setna iO moves to mid-life space

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Olivier Bonnassies

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Setna iO is building a portfolio of assets for lease to supplement its end-of-life business.

The US aftermarket aircraft parts supplier had three aircraft under leases before finalising the acquisition of three Boeing 2010-vintage 737-800s with leases attached to American Airlines in late December.

Equity was provided while the acquisition was leveraged through Av Airfinance's commercial debt.

The aircraft were purchased via Setna's special purpose vehicle, Setna Aero Lease 2, and is separate from the Setna iO balance sheet.

Edens says the new leasing business follows Setna's overall strategy.

"The parts trading is a core focus. We set up the leasing business as a way to vertically integrate all product lines," says Setna iO chief commercial officer Hunter Edens in an interview with Airfinance Global.

"The holistic pipeline and life cycle of an aircraft asset includes operation to disassembly to piece part sales. We are trying to expand our future pipeline by acquiring on-lease aircraft, holding them until end of the lease and disassembling them. On the other side of the supply chain, we have a series of MROs where we disassemble APUs, engines and repair the parts," he explains.

He adds: "The leasing business feeds the core parts business; MRO also feeds the core parts business. Everything is funnelling to complement the growth of the part business."

Setting up a leasing business to feed the part end of the business relies on timing but Edens refers to the delineation between the company's own balance sheet, supporting stub lease or naked aircraft acquisitions, and off-balance-sheet acquisitions supported by special purpose vehicles, where the company can be more flexible with terms.

The equity owners with Setna have a bullish view of long-term values, especially in the aftermarket.

"We are confident in the future values of the young generation mid-life aircraft and these American Airlines 737-800s are an example. We feel they will still be a workhorse in the fleet of American and the lease rates factors will continue to hold."

Setna also has one 2003-vintage A319 and a pair of 2006-vintage A320s on lease to Global Crossing Airlines as part of its leasing portfolio, according to *Airfinance Global* Aircraft Intelligence data.

He expects the leasing channel to acquire between eight and 12 assets on lease in 2025, with a preference for mid-life narrowbodies, but Edens says the company is also starting to price widebody aircraft and new technology assets.

"It is the theme of Setna that carries across all platforms: we are asset agnostic and we don't have any metrics from a fund to maintain a portfolio of only mid-life narrowbody aircraft," he states.

Setna has just hired its first Irish employee and intends to grow a technical presence in Ireland, but the majority of the lease business will be out of Chicago.

The mid-life space of the aircraft leasing market is tight but Edens says the value-add of Setna iO is managing the whole life cycle of the asset. "Other mid-life owners may have to sacrifice a certain amount of profitability to their buyer when a lease matures, where as we will manage the whole process ourselves to the disassembly," he says.

At the moment the private equity market is focusing on the part-end market. "Setna iO is privately-owned and therefore in control of its destiny. This allows a quick decision-making process for investments," he says.

"I do expect to see more investment from the private equity market in the next two years, especially in the part-out space."

## Increased credit facility

Setna iO is using its recently increased credit facility to fund its off-lease part-out acquisition business that includes engines and airframes.

“The leasing business is separate from the short-term credit facility which is characteristically stub leases for less than two years to meet our covenants in the facility,” he says.

Edens explains that the \$200 million increase in the credit facility was to double in size from \$185 million to \$350 million and allow two additional banking partners to its syndicate of banks.

Historically Setna iO has increased its credit facility by steps but last month’s \$200 million increase signalled a change of strategy.

“We were proactive in raising a larger amount on the facility at the end of last year, rather than returning to banks with incremental increases,” explains Edens.

“In the meantime, we saw a lot of opportunities in the aftermarket last year to continue acquiring inventory. The [increase] was getting our funds in front of it as opposed to coming back and forth in June 2025 to ask for additional upsizes,” he adds.

Edens says the majority of the facility is still available and ready for deployment.

The three-year blind pool facility will also fund the company’s growth at Setnix, Arizona, Setna PartsLab in Chicago, as well as Setnix UK, which will open in 2025, and additional prospective acquisitions.

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