UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File No. 001-38081

Liberty Oilfield Services Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**81-4891595**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
950 17 th Street, Suite 2400 Denver, Colorado	**80202**
(Address of Principal Executive Offices)	(Zip Code)

(303) 515-2800
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to section 12(b) of the Act

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.01	LBRT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐

Emerging growth company ☐ (Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): ☐ Yes ☒ No

As of July 31, 2019, the registrant had 75,144,104 shares of Class A Common Stock and 37,379,889 shares of Class B Common Stock outstanding.

Our Class A Common Stock is traded on the New York Stock Exchange under the symbol "LBRT." There is no public market for our Class B Common Stock.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the "Quarterly Report") and certain other communications made by us contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange of 1934, as amended (the "Exchange Act"), including statements about our growth, future operating results, estimates, beliefs and expected performance. For this purpose, any statement that is not a statement of historical fact should be considered a forward-looking statement. We may use the words "believe," "anticipate," "plan," "expect," "intend," "may," "will," "should" and similar expressions to help identify forward-looking statements. We cannot assure you that our assumptions and expectations will prove to be correct. Important factors could cause our actual results to differ materially from those indicated or implied by forward-looking statements. We undertake no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise and readers should not rely on the forward-looking statements as representing the Company's views as of any date subsequent to the date of the filing of this Quarterly Report. These forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events.

Forward-looking statements may include statements about:

- our business strategy;
- our operating cash flows, the availability of capital and our liquidity;
- our future revenue, income and operating performance;
- our ability to sustain and improve our utilization, revenue and margins;
- our ability to maintain acceptable pricing for our services;
- our future capital expenditures;
- our ability to finance equipment, working capital and capital expenditures;
- competition and government regulations;
- our ability to obtain permits and governmental approvals;
- pending legal or environmental matters;
- oil and natural gas prices;
- acquisitions;
- general economic conditions;
- credit markets;
- our ability to successfully develop our research and technology capabilities and implement technological developments and enhancements;
- uncertainty regarding our future operating results;
- return of capital to stockholders; and
- plans, objectives, expectations and intentions contained in this Quarterly Report that are not historical.

We caution you that these forward-looking statements are subject to risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, decline in demand for our services, the cyclical nature and volatility of the oil and natural gas industry, a decline in, or substantial volatility of, crude oil and natural gas commodity prices, environmental risks, regulatory changes, the inability to comply with the financial and other covenants and metrics in our Credit Facilities (as defined herein), cash flow and access to capital, the timing of development expenditures and the other risks described under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 (the "Annual Report") and contained in our other SEC filings.

All forward-looking statements, expressed or implied, included in this Quarterly Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

LIBERTY OILFIELD SERVICES INC.
Condensed Consolidated Balance Sheets
(Dollars in thousands, except share data)

	June 30, 2019	December 31, 2018
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 32,503	$ 103,312
Accounts receivable—trade	248,160	153,589
Accounts receivable—related party	—	15,139
Unbilled revenue	98,221	79,233
Inventories	86,809	60,024
Prepaid and other current assets	20,332	49,924
Total current assets	486,025	461,221
Property and equipment, net	647,614	627,053
Other assets	33,570	28,227
Note receivable—related party	15,601	—
Finance lease right-of-use assets	59,422	—
Operating lease right-of-use assets	61,143	—
Total assets	$ 1,303,375	$ 1,116,501
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 108,102	$ 80,490
Accrued liabilities:		
Accrued vendor invoices	75,120	67,771
Operational accruals	19,823	36,414
Accrued salaries and benefits	22,963	22,791
Accrued interest and other	9,590	9,585
Accrued liabilities—related party	—	2,300
Current portion of long-term debt, net of discount of $1,353 and $1,365, respectively	397	385
Current portion of finance lease liabilities	18,193	—
Current portion of operating lease liabilities	16,508	—
Total current liabilities	270,696	219,736
Long-term debt, net of discount of $3,153 and $3,826, respectively, less current portion	106,375	106,139
Deferred tax liability	33,915	32,994
Payable pursuant to tax receivable agreements	20,074	16,818
Noncurrent portion of finance lease liabilities	35,843	—
Noncurrent portion of operating lease liabilities	44,026	—
Total liabilities	510,929	375,687
Commitments & contingencies (Note 13)		
Stockholders' equity:		
Preferred Stock, $0.01 par value, 10,000 shares authorized and none issued and outstanding	—	—
Common Stock:		
Class A, $0.01 par value, 400,000,000 shares authorized and 68,962,200 issued and outstanding as of June 30, 2019 and 68,359,871 issued and outstanding as of December 31, 2018	690	684
Class B, $0.01 par value, 400,000,000 shares authorized and 43,570,372 issued and outstanding as of June 30, 2019 and 45,207,372 issued and outstanding as of December 31, 2018	436	452
Additional paid in capital	318,099	312,659
Retained earnings	152,322	119,274
Total stockholders' equity	471,547	433,069
Noncontrolling interest	320,899	307,745
Total equity	792,446	740,814

Total liabilities and equity	$ 1,303,375	$ 1,116,501

See Notes to Condensed Consolidated Financial Statements.

LIBERTY OILFIELD SERVICES INC.
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenue:				
Revenue	$ 537,322	$ 628,084	$ 1,066,153	$ 1,119,182
Revenue—related parties	4,825	—	11,142	4,062
Total revenue	542,147	628,084	1,077,295	1,123,244
Operating costs and expenses:				
Cost of services (exclusive of depreciation and amortization shown separately below)	426,444	455,469	855,743	832,296
General and administrative	23,989	27,313	46,077	48,990
Depreciation and amortization	40,368	30,606	78,755	58,622
Loss on disposal of assets	143	485	1,366	565
Total operating costs and expenses	490,944	513,873	981,941	940,473
Operating income	51,203	114,211	95,354	182,771
Other expense:				
Interest expense	3,597	3,540	7,779	10,034
Net income before income taxes	47,606	110,671	87,575	172,737
Income tax expense	7,083	15,930	13,143	24,009
Net income	40,523	94,741	74,432	148,728
Less: Net income attributable to Predecessor, prior to Corporate Reorganization	—	—	—	8,705
Less: Net income attributable to noncontrolling interests	18,491	45,146	34,279	66,753
Net income attributable to Liberty Oilfield Services Inc. stockholders	$ 22,032	$ 49,595	$ 40,153	$ 73,270
Net income attributable to Liberty Oilfield Services Inc. stockholders per common share:				
Basic	$ 0.32	$ 0.72	$ 0.59	$ 1.06
Diluted	$ 0.32	$ 0.71	$ 0.58	$ 1.05
Weighted average common shares outstanding:				
Basic	68,404	69,020	67,918	68,977
Diluted	114,338	118,638	114,277	118,407

See Notes to Condensed Consolidated Financial Statements.

LIBERTY OILFIELD SERVICES INC.
Condensed Consolidated Statements of Changes in Equity
(Amounts in thousands)
(Unaudited)

	Shares of Class A Common Stock	Shares of Class B Common Stock	Class A Common Stock, Par Value	Class B Common Stock, Par Value	Additional Paid in Capital	Retained Earnings	Total Stockholders ' equity	Noncontrolling Interest	Total Equity
Balance—December 31, 2018	68,360	45,207	$ 684	$ 452	$ 312,659	$ 119,274	$ 433,069	$ 307,745	$ 740,814
Distributions paid and payable to noncontrolling unitholders	—	—	—	—	—	—	—	(547)	(547)
Exchanges of Class B Common Stock for Class A Common Stock	1,637	(1,637)	16	(16)	11,413	—	11,413	(11,413)	—
Effect of exchange on deferred tax asset, net of liability under tax receivable agreements	—	—	—	—	896	—	896	—	896
$0.05/unit distribution to noncontrolling unitholders	—	—	—	—	—	—	—	(4,358)	(4,358)
Regular cash dividends declared and distributions paid	—	—	—	—	—	(7,107)	(7,107)	—	(7,107)
Restricted stock and RSU forfeitures	—	—	—	—	—	2	2	—	2
Share repurchases	(1,303)	—	(13)	—	(13,017)	—	(13,030)	(4,068)	(17,098)
Stock based compensation expense	—	—	—	—	6,451	—	6,451	—	6,451
Vesting of restricted stock units	268	—	3	—	(303)	—	(300)	(739)	(1,039)
Net income	—	—	—	—	—	40,153	40,153	34,279	74,432
Balance—June 30, 2019	68,962	43,570	$ 690	$ 436	$ 318,099	$ 152,322	$ 471,547	$ 320,899	$ 792,446

	Members ' Equity	Shares of Class A Common Stock	Shares of Class B Common Stock	Class A Common Stock, Par Value	Class B Common Stock, Par Value	Additional Paid in Capital	Retained Earnings	Total Stockholders ' equity	Noncontrolling Interest	Total Equity
Balance—December 31, 2017	$ 392,766	—	—	—	—	—	—	—	—	$ 392,766
Return on redeemable common units	(149)	—	—	—	—	—	—	—	—	(149)
Net income prior to Corporate Reorganization	8,705	—	—	—	—	—	—	—	—	8,705
Balance prior to Corporate Reorganization	$ 401,322	—	—	$ —	$ —	$ —	$ —	$ —	$ —	$ 401,322
Corporate Reorganization										
Exchange of Liberty LLC Units for Class A Common Stock and Class B Common Stock and extinguishment of Redeemable Common Units	(401,322)	55,986	48,207	560	482	446,824	—	447,866		46,544
Net deferred tax liability due to corporate reorganization	—	—	—	—	—	(28,620)	—	(28,620)	—	(28,620)
Initial Public Offering										
Issuance of Class A Common Stock, net of underwriter discount and offering costs	—	14,340	—	143	—	220,117	—	220,260	—	220,260
Redemption of legacy ownership, net of underwriter discount	—	(1,609)	— -	(16)	—	(25,881)	—	(25,897)	—	(25,897)
Issuance of Restricted Stock	—	1,258	—	13	—	(13)	—	—	—	—
Liability due to tax receivable agreements	—	—	—	—	—	(2,291)	—	(2,291)	—	(2,291)
Initial allocation of noncontrolling interest of Liberty LLC effective on the date of the IPO	—	—	—	—	—	(261,844)	—	(261,844)	261,844	—
Distribution paid and payable to noncontrolling interest unitholders	—	—	—	—	—	—	—	—	(13,041)	(13,041)
Restricted stock forfeited	—	(17)	—	—	—	—	—	—	—	—
Stock based compensation expense	—	—	—	—	—	1,196	—	1,196	—	1,196
Net income subsequent to the Corporate Reorganization and IPO	—	—	—	—	—	—	73,270	73,270	66,753	140,023
Balance—June 30, 2018	$ —	69,958	48,207	$ 700	$ 482	$ 349,488	$ 73,270	$ 423,940	$ 315,556	$ 739,496

See Notes to Condensed Consolidated Financial Statements.

LIBERTY OILFIELD SERVICES INC.
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net income	$ 74,432	$ 148,728
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	78,755	58,622
Loss on disposal of assets	1,366	565
Interest expense on finance lease liability	1,350	—
Amortization of debt issuance costs	1,105	2,868
Inventory write-down	—	3,389
Non-cash lease expense	2,828	—
Share based compensation expense	6,451	1,196
Deferred income taxes	6,895	8,447
Changes in operating assets and liabilities:		
Accounts receivable	(94,571)	(25,503)
Accounts receivable—related party	(462)	(122)
Unbilled revenue	(18,988)	(59,496)
Unbilled revenue—related party	—	59
Inventories	(26,785)	(10,239)
Other assets	18,151	(24,088)
Accounts payable and accrued liabilities	53,343	4,775
Accounts payable and accrued liabilities—related party	(1,000)	—
Payment of operating lease liability	(5,157)	—
Net cash provided by operating activities	97,713	109,201
Cash flows from investing activities:		
Purchases of property and equipment and construction in-progress	(130,408)	(140,861)
Proceeds from sale of assets	344	3,018
Net cash used in investing activities	(130,064)	(137,843)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of underwriter discount	—	230,174
Redemption of Liberty LLC Units from legacy owners	—	(25,897)
Repayments of borrowings on term loan	(438)	(61,535)
Proceeds from Liberty Oilfield Services Holdings LLC	—	2,115
Repayments of borrowings on line-of-credit	—	(30,000)
Payments on finance lease obligations	(6,794)	—
Class A Common Stock dividend	(6,885)	—
Restricted Stock Vesting	(1,039)	—
Distribution to noncontrolling interest unitholders	(4,357)	(13,041)
Share buyback	(18,398)	—
Payment of deferred equity offering costs	—	(5,882)
Payments of debt issuance costs	—	(282)
Advance payments on TRAs	(547)	—
Net cash (used in) provided by financing activities	(38,458)	95,652
Net increase (decrease) in cash and cash equivalents	(70,809)	67,010
Cash and cash equivalents—beginning of period	103,312	16,321
Cash and cash equivalents—end of period	$ 32,503	$ 83,331
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 1,042	$ 15,026
Cash paid for interest	$ 5,575	$ 7,555

Non-cash investing and financing activities:		
Capital expenditures included in accounts payable and accrued liabilities	$ 10,353	$ 6,269

See Notes to Condensed Consolidated Financial Statements.

LIBERTY OILFIELD SERVICES INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1—Organization and Basis of Presentation

Organization

Liberty Oilfield Services Inc. (the "Company") was incorporated as a Delaware corporation on December 21, 2016, to become a holding corporation for Liberty Oilfield Services New HoldCo LLC ("Liberty LLC") and its subsidiaries upon completion of a corporate reorganization (the "Corporate Reorganization") and planned initial public offering of the Company ("IPO"). The Company has no material assets other than its ownership of units in Liberty LLC ("Liberty LLC Units"). Please refer to the Company's 2018 Annual Report (the "Annual Report") for additional information on the Corporate Reorganization and IPO that were completed on January 17, 2018.

Prior to the Corporate Reorganization, Liberty Oilfield Services Holdings LLC ("Liberty Holdings") wholly owned Liberty Oilfield Services LLC ("LOS") and LOS Acquisition CO I LLC ("ACQI" and, together with LOS, the "Predecessor"). Following the Corporate Reorganization, Liberty LLC wholly owns the Predecessor. Effective March 22, 2018, the assets of ACQI were contributed into LOS and ACQI was dissolved.

The Company, together with its subsidiaries, is a multi-basin provider of hydraulic fracturing services, with a focus on deploying the latest technologies in the technically demanding oil and gas reservoirs in which it operates, principally in North Dakota, Colorado, Wyoming and Texas.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or notes required by generally accepted accounting principles for annual financial statements and should be read together with the annual financial statements included in the Annual Report.

The accompanying unaudited condensed consolidated financial statements and related notes present the condensed consolidated financial position, results of operations, cash flows, and equity of the Company as of and for the three and six months ended June 30, 2019 and the financial position, results of operations, cash flows, and equity of the Company as of December 31, 2018 and for the three and six months ended June 30, 2018 . The interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim period. The results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of the results of operations expected for the entire fiscal year ended December 31, 2019 .

All intercompany amounts have been eliminated in the presentation of the unaudited condensed consolidated financial statements of the Company. Comprehensive income is not reported due to the absence of items of other comprehensive income or loss during the periods presented. The condensed consolidated financial statements include financial data at historical cost as the contribution of assets is considered to be a reorganization of entities under common control. The condensed consolidated financial statements may not be indicative of the actual level of assets, liabilities and costs that would have been incurred by the Predecessor if it had operated as an independent, publicly-traded company during the periods prior to the IPO or of the costs expected to be incurred in the future.

The condensed consolidated and combined financial statements for periods prior to January 17, 2018, reflect the historical results of the Predecessor. The condensed consolidated financial statements include the amounts of the Company and all majority owned subsidiaries where the Company has the ability to exercise control.

The Company's operations are organized into a single reportable segment, which consists of hydraulic fracturing services.

Note 2—Significant Accounting Policies

Recently Adopted Accounting Standards

Leases

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Accounting Standard Codification ("ASC") Topic 842)* , as amended by other ASUs issued since February 2016 ("ASU 2016-02" or "ASC Topic 842"), using the modified retrospective transition method applied at the effective date of the standard. By electing this optional transition method, information prior to January 1, 2019 has not been restated and continues to be reported under the accounting standards in effect for the period (*ASC Topic 840*).

The Company elected the package of practical expedients permitted under the transition guidance within the new standard, including the option to carry forward the historical lease classifications and assessment of initial direct costs, account for lease and non-lease components as a single lease, and to not include leases with an initial term of less than 12 months in the lease assets and liabilities.

The adoption of ASC Topic 842 resulted in the recognition of finance lease right-of-use assets, operating lease right-of-use assets, and lease liabilities for finance and operating leases. As of January 1, 2019, the adoption of the new standard resulted in the recognition of finance lease assets of $57.2 million , including $2.1 million and $2.0 million reclassified from prepaid and other current assets and other assets, respectively, and finance lease liabilities of $53.2 million . Additionally, the Company recorded operating lease assets of $64.0 million , including $1.9 million reclassified from prepaid and other current assets, and operating lease liabilities of $63.6 million , including $1.5 million reclassified from accrued interest and other liabilities as of January 1, 2019. There was no significant impact to the condensed consolidated statements of income, equity or cash flows. Refer to Note 5-Leases for additional disclosures required under ASC Topic 842.

For leases entered into after January 1, 2019, the Company determines if an arrangement is a lease at inception and evaluates identified leases for operating or finance lease treatment. Operating or finance lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease terms may include options to renew, however, the Company typically cannot determine its intent to renew a lease with reasonable certainty at inception.

Revenue Recognition

In connection with the adoption of ASC Topic 842, the Company determined that certain of its service revenue contracts contain a lease component. The Company elected to adopt a practical expedient available to lessors, which allows the Company to combine the lease and non-lease components and account for the combined component is accordance with the accounting treatment for the predominant component. Therefore, the Company combines the lease and service component for certain of the Company’s service contracts and continues to account for the combined component under ASC Topic 606, *Revenue from Contracts with Customers*.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which is effective for fiscal years and interim periods within fiscal years beginning after December 15, 2019, with a modified-retrospective approach to be used for implementation. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. Specifically, this new guidance requires using a forward looking, expected loss model for trade and other receivables, held-to-maturity debt securities, loans and other instruments. This will replace the currently used model and may result in an earlier recognition of allowance for losses. The Company is currently evaluating the impact of the adoption of this standard will have on its condensed consolidated financial statements.

Fleet Start-up Costs

The Company incurs start-up costs to commission a new fleet or district. These costs include hiring and training of personnel, and acquisition of consumable parts and tools. Start-up costs are expensed as incurred, and are reflected in general and administrative expenses in the statement of operations. Start-up costs for the three and six months ended June 30, 2019 were $0.4 million and $1.5 million , respectively. The Company deployed one fleet during the six months ended June 30, 2019 . Start-up costs for the three and six months ended June 30, 2018 were $3.3 million and $6.6 million , respectively, related to one and three new fleets deployed during each respective period. The total amount of start-up costs incurred for the commissioning of each new fleet depends primarily on the number and timing of hiring additional personnel to staff such fleets, and such costs may not be entirely incurred in the same period as the fleet is deployed.

The terms and conditions of the Credit Facilities, defined herein, between the Company and its lenders provides for the add-back of costs or expenses incurred in connection with the acquisition, deployment and opening of any new hydraulic fracturing fleet or district in the computation of certain financial covenants (see Note 6).

LIBERTY OILFIELD SERVICES INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 3—Inventories

Inventories consist of the following:

($ in thousands)	June 30, 2019	December 31, 2018
Proppants	$ 22,919	$ 22,038
Chemicals	12,780	10,781
Maintenance parts	51,110	27,205
	$ 86,809	$ 60,024

During the three and six months ended June 30, 2019 , the Company did not record any write-down to inventory carrying values.

Note 4—Property and Equipment

Property and equipment consist of the following:

($ in thousands)	Estimated useful lives (in years)	June 30, 2019	December 31, 2018
Land	N/A	$ 5,400	$ 5,400
Field services equipment	2-7	919,614	778,423
Vehicles	4-7	60,053	59,807
Buildings and facilities	5-30	28,197	27,795
Office equipment, furniture, and software	2-7	6,368	6,200
		1,019,632	877,625
Less accumulated depreciation and amortization		(377,288)	(307,277)
		642,344	570,348
Construction in-progress	N/A	5,270	56,705
		$ 647,614	$ 627,053

Depreciation expense for the three months ended June 30, 2019 and 2018 was $37.4 million and $30.6 million , respectively. During the six months ended June 30, 2019 and 2018 , the Company recognized depreciation expense of $73.1 million and $58.6 million , respectively.

Note 5—Leases

The Company has operating and finance leases primarily for vehicles, equipment, railcars, office space, and facilities. The terms and conditions for these leases vary by the type of underlying asset.

Certain leases include variable lease payments for items such as property taxes, insurance, maintenance, and other operating expenses associated with leased assets. Payments that vary based on an index or rate are included in the measurement of lease assets and liabilities at the rate as of the commencement date. All other variable lease payments are excluded from the measurement of lease assets and liabilities, and are recognized in the period in which the obligation for those payments is incurred.

The components of lease expense for the three and six months ended June 30, 2019 were as follows:

	June 30, 2019	
($ in thousands)	Three Months Ended	Six Months Ended
Finance lease cost:		
Amortization of right-of-use assets	$ 2,611	$ 4,977
Interest on lease liabilities	699	1,350
Operating lease cost	5,053	10,264
Variable lease cost	603	1,607
Total lease cost	$ 8,966	$ 18,198

Rent expense recorded for the three and six months ended June 30, 2018 was $9.4 million and $17.3 million , respectively.

Supplemental cash flow and other information related to leases for the three and six months ended June 30, 2019 were as follows:

	June 30, 2019	
($ in thousands)	Three Months Ended	Six Months Ended
Cash paid for amounts included in measurement of liabilities:		
Operating leases	$ 2,752	$ 10,550
Finance leases	3,512	6,794
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	625	70,055
Finance leases	6,718	64,139

Lease terms and discount rates as of June 30, 2019 were as follows:

	June 30, 2019
Weighted-average remaining lease term:	
Operating leases	6.4 years
Finance leases	1.8 years
Weighted-average discount rate:	
Operating leases	5.4%
Finance leases	5.2%

Future minimum lease commitments as of June 30, 2019 are as follows:

($ in thousands)	Finance	Operating
Remainder of 2019	$ 7,241	$ 9,679
2020	26,788	18,445
2021	20,395	13,584
2022	3,444	7,126
2023	—	4,245
Thereafter	—	19,588
Total lease payments	57,868	72,667
Less imputed interest	(3,832)	(12,133)
Total	$ 54,036	$ 60,534

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The Company's vehicle leases typically include a residual value guarantee. For the Company's vehicle leases classified as operating leases, the total residual value guaranteed as of June 30, 2019 is $3.1 million ; the payment is not probable and therefore has not been included in the measurement of the lease liability and right-of-use asset. For vehicle leases that are classified as financing leases, the Company includes the residual value guarantee in the financing lease liability.

At December 31, 2018, future minimum lease payments under operating leases were as follows:

($ in thousands)		
Years Ending December 31,		
2019	$	42,717
2020		48,685
2021		32,390
2022		6,093
2023		4,303
Thereafter		19,742
	$	153,930

Note 6—Debt

Debt consists of the following:

($ in thousands)		June 30, 2019		December 31, 2018
Term Loan outstanding	$	111,278	$	111,715
Deferred financing costs and original issue discount		(4,506)		(5,191)
Total debt, net of deferred financing costs and original issue discount	$	106,772	$	106,524
Current portion of long-term debt, net of discount	$	397	$	385
Long-term debt, net of discount and current portion		106,375		106,139
	$	106,772	$	106,524

The Company has two credit agreements in effect for a revolving line of credit up to $250.0 million (the "ABL Facility") and a $175.0 million term loan (the "Term Loan Facility", and together with the ABL Facility the "Credit Facilities"). Following is a description of the ABL Facility and the Term Loan Facility.

ABL Facility

Under the terms of the ABL Facility, up to $250.0 million may be borrowed, subject to certain borrowing base limitations based on a percentage of eligible accounts receivable and inventory. As of June 30, 2019 , the borrowing base was calculated to be $234.2 million , and the Company had no borrowings outstanding, except for a letter of credit in the amount of $0.3 million , with $233.9 million of remaining availability. The unused commitment fee is 0.375% to 0.5% of average monthly unused commitment. The ABL Facility matures on the earlier of (i) September 19, 2022 and (ii) to the extent the debt under the Term Loan Facility remains outstanding, 90 days prior to the final maturity of the Term Loan Facility, which matures on September 19, 2022.

Term Loan Facility

The Term Loan Facility provides for a $175.0 million term loan, of which $111.3 million remained outstanding as of June 30, 2019 . The rate on borrowing was 10.0% as of June 30, 2019 . The Company is required to make quarterly principal payments of 1% per annum of the initial principal balance, commencing on December 31, 2017, with final payment due at maturity on September 19, 2022.

The Credit Facilities include certain non-financial covenants, including but not limited to restrictions on incurring additional debt and certain distributions. Moreover, the ability of the Company to incur additional debt and to make distributions is dependent on maintaining a maximum leverage ratio. The Term Loan Facility requires mandatory prepayments upon certain dispositions of property or issuance of other indebtedness, as defined, and annually a percentage of excess cash flow (25% to 50% , depending on leverage ratio, of consolidated net income less capital expenditures and other permitted payments, commencing with the year ending December 31, 2018).

The Credit Facilities are not subject to financial covenants unless liquidity, as defined in the respective credit agreements, drops below a specified level. Under the ABL Facility, the Company is required to maintain a minimum fixed charge coverage ratio, as defined in the credit agreement governing the ABL Facility, of 1.0 to 1.0 for each period if excess availability is less than 10% of the borrowing base or $12.5 million , whichever is greater. Under the Term Loan Facility, the Company is required to maintain a minimum fixed charge coverage ratio, as defined, of 1.2 to 1.0 for each trailing twelve-month period if the Company's liquidity, as defined, is less than $25.0 million for at least five consecutive business days.

The Company was in compliance with these covenants as of June 30, 2019 .

Maturities of debt are as follows:

($ in thousands)	
Remainder of 2019	$ 1,313
2020	1,750
2021	1,750
2022	106,465
2023	—
	$ 111,278

Note 7—Fair Value Measurements and Financial Instruments

The fair values of the Company's assets and liabilities represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction at the reporting date. These fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. The Company discloses the fair values of its assets and liabilities according to the quality of valuation inputs under the following hierarchy:

- Level 1 Inputs: Quoted prices (unadjusted) in an active market for identical assets or liabilities.
- Level 2 Inputs: Inputs other than quoted prices that are directly or indirectly observable.
- Level 3 Inputs: Unobservable inputs that are significant to the fair value of assets or liabilities.

The classification of an asset or liability is based on the lowest level of input significant to its fair value. Those that are initially classified as Level 3 are subsequently reported as Level 2 when the fair value derived from unobservable inputs is inconsequential to the overall fair value, or if corroborating market data becomes available. Assets and liabilities that are initially reported as Level 2 are subsequently reported as Level 3 if corroborating market data is no longer available. Transfers occur at the end of the reporting period. There were no transfers into or out of Levels 1, 2 and 3 during the six months ended June 30, 2019 and 2018 .

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, accrued liabilities, long-term debt, and finance and operating lease obligations. These financial instruments do not require disclosure by level. The carrying values of all the Company's financial instruments included in the accompanying condensed consolidated balance sheets approximated or equaled their fair values at June 30, 2019 and December 31, 2018 .

- The carrying values of cash and cash equivalents, accounts receivable and accounts payable (including accrued liabilities) approximated fair value at June 30, 2019 and December 31, 2018 , due to their short-term nature.
- The carrying value of amounts outstanding under long-term debt agreements with variable rates approximated fair value at June 30, 2019 and December 31, 2018 , as the effective interest rates approximated market rates.

Nonfinancial assets

The Company estimates fair value to perform impairment tests as required on long-lived assets. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and would generally be classified within Level 3 in the event that such assets were required to be measured and recorded at fair value within the financial statements. There were no such measurements required as of June 30, 2019 and December 31, 2018 .

Credit Risk

The Company's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents, and trade receivables.

The Company's cash balances on deposit with financial institutions total $32.5 million and $103.3 million as of June 30, 2019 and December 31, 2018 , respectively, which exceeded FDIC insured limits. The Company regularly monitors these institutions' financial condition.

The majority of the Company's customers have stated payment terms of 45 days or less. As of June 30, 2019 and December 31, 2018 , customers A and B accounted for 23% and customers B and C accounted for 28% of total accounts receivable and unbilled revenue, respectively. The Company mitigates the associated credit risk by performing credit evaluations and monitoring the payment patterns of its customers. During the three months ended June 30, 2019 , no customers accounted for more than 10% of total revenue, and during the three months ended June 30, 2018 , customer A accounted for 15% of total revenue. During the six months ended June 30, 2019 and 2018 , customer D accounted for 10% and customer A accounted for 16% of total revenue, respectively.

As of June 30, 2019 and December 31, 2018 , the Company had no provision for doubtful accounts.

Note 8—Equity

Preferred Stock

As of June 30, 2019 , the Company had 10,000 shares of preferred stock authorized, par value $0.01 , with none issued and outstanding. If issued, each class or series of preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the Company ' s board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders.

Class A Common Stock

The Company had a total of 68,962,200 shares of Class A Common Stock outstanding as of June 30, 2019 , which includes 555,713 shares of unvested restricted stock. Holders of Class A Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders and are entitled to ratably receive dividends when and if declared by the Company's board of directors.

Class B Common Stock

The Company had a total of 43,570,372 shares of Class B Common Stock outstanding as of June 30, 2019 . Holders of the Class B Common Stock are entitled to one vote per share on all matters to be voted upon by stockholders. Holders of Class A Common Stock and Class B Common Stock vote together as a single class on all matters presented to the Company's stockholders for their vote or approval, except with respect to amendment of certain provisions of the Company's certificate of incorporation that would alter or change the powers, preferences or special rights of the Class B Common Stock so as to affect them adversely, which amendments must be by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class, or as otherwise required by applicable law.

Restricted Stock Awards

Restricted stock awards are awards of Class A Common Stock that are subject to restrictions on transfer and to a risk of forfeitures if the award recipient is no longer an employee or director of the Company for any reason prior to the lapse of the restrictions.

The following table summarizes the Company’s unvested restricted stock activity for the six months ended June 30, 2019 :

	Number of Shares	Grant Date Fair Value per Share (1)
Outstanding at December 31, 2018	634,653	$ —
Vested	(78,940)	—
Forfeited	—	—
Outstanding at June 30, 2019	555,713	$ —

(1) Prior to the IPO and Corporate Reorganization, Liberty Holdings issued Class B units of Liberty Holdings (“Legacy Units”). The Legacy Units were determined to have a de minimis grant-date fair value based on their assigned benchmark values. In connection with the Corporate Reorganization, the unvested Legacy Units were exchanged for 1,258,514 shares of restricted stock with the same terms and requisite vesting conditions. The shares of restricted stock retain the grant date fair value of the Legacy Units.

Restricted Stock Units

Restricted stock units (“RSUs”) granted pursuant to the Long Term Incentive Plan (“LTIP”), if they vest, will be settled in shares of the Company’s Class A Common Stock. RSUs were granted with vesting terms up to five years. Changes in non-vested RSUs outstanding under the LTIP during the six months ended June 30, 2019 were as follows:

	Number of Units	Weighted Average Grant Date Fair Value per Unit
Non-vested as of December 31, 2018	1,193,683	$ 19.24
Granted	877,732	15.09
Vested	(327,799)	19.97
Forfeited	(13,029)	19.12
Outstanding at June 30, 2019	1,730,587	$ 17.00

Performance Restricted Stock Units

Performance restricted stock units (“PSUs”) granted pursuant to the LTIP, if they vest, will be settled in shares of the Company’s Class A Common Stock. PSUs were granted with a three year cliff vesting schedule, subject to a performance target compared to an index of competitors ’ results over the three year period from January 1, 2019 through December 31, 2021. The Company records compensation expense based on the Company’s best estimate of the number of PSUs that will vest at the end of the performance period. If such performance targets are not met, or are not expected to be met, no compensation expense is recognized and any recognized compensation expense is reversed. Changes in non-vested PSUs outstanding under the LTIP during the six months ended June 30, 2019 were as follows:

	Number of Units	Weighted Average Grant Date Fair Value per Unit
Non-vested as of December 31, 2018	—	$ —
Granted	356,908	14.93
Vested	—	—
Forfeited	—	—
Outstanding at June 30, 2019	356,908	$ 14.93

Stock-based compensation is included in cost of services and general and administrative expenses in the Company’s condensed consolidated statements of income. The Company recognized stock based compensation expense of $3.6 million and $6.5 million for the three and six months ended June 30, 2019 . The Company recognized stock based compensation expense of $1.2 million in the three and six months ended June 30, 2018 . There was approximately $29.3 million of unrecognized compensation expense relating to outstanding RSUs and PSUs as of June 30, 2019 . The unrecognized compensation expense will be recognized on a straight-line basis over the weighted average remaining vesting period of 2.3 years.

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Dividends

The Company paid quarterly cash dividends of $0.05 per share of Class A Common Stock on March 20 and June 20, 2019 to stockholders of record as of March 6 and June 6, 2019, respectively. During the six months ended June 30, 2019 Liberty LLC paid distributions of $11.2 million , or $0.05 per Liberty LLC Unit, to all holders of Liberty LLC Units as of the dates above, $6.9 million of which was paid to the Company. The Company used the proceeds of the distributions to pay the dividends to all holders of shares of Class A Common Stock as of March 6 and June 6, 2019, which totaled $6.9 million . Additionally, the Company accrued $0.2 million of dividends payable related to restricted shares and RSUs to be paid upon vesting. Dividends related to forfeited restricted shares and RSUs will be forfeited.

Share Repurchase Program

On September 10, 2018 the Company's board of directors authorized a share repurchase plan to repurchase up to $100.0 million of the Company's Class A Common Stock through September 30, 2019. On January 22, 2019, the Company's board of directors authorized an additional $100.0 million under the share repurchase plan through January 31, 2021. During the six months ended June 30, 2019 , Liberty LLC purchased and retired 1,303,003 Liberty LLC Units from the Company for $18.4 million , and the Company repurchased and retired 1,303,003 shares of Class A Common Stock for $18.4 million , or $14.66 average price per share. The repurchase in January completed the share repurchase amount authorized on September 10, 2018. Of the total amount of Class A Common Stock repurchased, 117,647 shares were repurchased or returned from R/C Energy IV Direct Partnership, L.P., R/C IV Liberty Holdings, L.P. and Riverstone/Carlyle Energy Partners IV, L.P. ("R/C" and collectively, the "Riverstone Sellers"). For further details of this related party transaction see Note 12.

As of June 30, 2019 , $98.7 million remains authorized for future repurchases of Class A Common Stock under the share repurchase program.

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Note 9—Net Income per Share

Basic net income per share measures the performance of an entity over the reporting period. Diluted net income per share measures the performance of an entity over the reporting period while giving effect to all potentially dilutive common shares that were outstanding during the period. The Company uses the "if-converted" method to determine the potential dilutive effect of its Class B Common Stock and the treasury stock method to determine the potential dilutive effect of outstanding restricted stock and restricted stock units.

The following table reflects the allocation of net income to common stockholders and net income per share computations for the periods indicated based on a weighted average number of common stock outstanding for periods subsequent to the Corporate Reorganization on January 17, 2018:

	Three Months Ended		Six Months Ended	
(In thousands)	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Basic Net Income Per Share				
Numerator:				
Net income attributable to Liberty Oilfield Services Inc. stockholders	$ 22,032	$ 49,595	$ 40,153	$ 73,270
Denominator:				
Basic weighted average shares outstanding	68,404	69,020	67,918	68,977
Basic net income per share attributable to Liberty Oilfield Services Inc. stockholders	$ 0.32	$ 0.72	$ 0.59	$ 1.06
Diluted Net Income Per Share				
Numerator:				
Net income attributable to Liberty Oilfield Services Inc. stockholders	$ 22,032	$ 49,595	$ 40,153	$ 73,270
Effect of exchange of the shares of Class B Common Stock for shares of Class A Common Stock	13,992	34,171	25,825	50,482
Diluted net income attributable to Liberty Oilfield Services Inc. stockholders	$ 36,024	$ 83,766	$ 65,978	$ 123,752
Denominator:				
Basic weighted average shares outstanding	68,404	69,020	67,918	68,977
Effect of dilutive securities:				
Restricted stock	556	948	578	994
Restricted stock units	1,808	463	1,717	229
Class B Common Stock	43,570	48,207	44,064	48,207
Diluted weighted average shares outstanding	114,338	118,638	114,277	118,407
Diluted net income per share attributable to Liberty Oilfield Services Inc. stockholders	$ 0.32	$ 0.71	$ 0.58	$ 1.05

Note 10—Income Taxes

The Company is a corporation and is subject to U.S. federal, state and local income tax on its share of Liberty LLC's taxable income.

The effective combined U.S. federal and state income tax rate applicable to the Company for the six months ended June 30, 2019 was 15.0% , compared to 13.9% for the period ended June 30, 2018 commencing on January 17, 2018, the date of the Corporate Reorganization. The Company's effective tax rate is significantly less than the statutory federal tax rate of 21.0% primarily because no taxes are payable by the Company for the noncontrolling interest's share of Liberty LLC's pass through results for federal, state and local income tax reporting. The Company's effective tax rate is lower for the period ended June 30, 2018 , the shortened taxable period as the Company was a pass-through entity prior to the IPO. The Company recognized income tax expense of $7.1 million and $13.1 million during the three and six months ended June 30, 2019 , respectively, compared to $15.9 million during the three months ended June 30, 2018 , and $24.0 million for the period commencing on January 17, 2018, the date of the Corporate Reorganization, through June 30, 2018 .

Tax Receivable Agreements

In connection with the IPO, on January 17, 2018, the Company entered into two Tax Receivable Agreements (the "TRAs") with R/C Energy IV Direct Partnership, L.P. and the then existing owners that continued to own Liberty LLC Units (each such person and any permitted transferee, a "TRA Holder" and together, the "TRA Holders"). The TRAs generally provide for the payment by the Company of 85% of the net cash savings, if any, in U.S. federal, state, and local income tax and franchise tax (computed using simplifying assumptions to address the impact of state and local taxes) that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the IPO as a result, as applicable to each TRA Holder, of (i) certain increases in tax basis that occur as a result of the Company's acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder's Liberty LLC Units in connection with the IPO or pursuant to the exercise of redemption or call rights, (ii) any net operating losses available to the Company as a result of the Corporate Reorganization, and (iii) imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, any payments the Company makes under the TRAs.

During the six months ended June 30, 2019 , redemptions of Liberty LLC Units and shares of Class B Common Stock resulted in an increase of $5.1 million in amounts payable under the TRAs, and a net increase of $6.0 million in deferred tax assets, all of which were recorded through equity. At June 30, 2019 , the Company ' s liability under the TRA was $21.9 million , a portion of which is presented as a component of current liabilities of $1.8 million and a portion of which is presented as a component of long term liabilities of $20.1 million , and the related deferred tax assets totaled $25.8 million .

Note 11—Defined Contribution Plan

The Company sponsors a 401(k) defined contribution retirement plan covering eligible employees. The Company makes matching contributions at a rate of $1.00 for each $1.00 of employee contribution, subject to a cap of 6% of the employee's salary. Contributions made by the Company were $8.0 million and $6.7 million for the six months ended June 30, 2019 and 2018 , respectively, and $3.9 million and $3.4 million for the three months ended June 30, 2019 and 2018 , respectively.

Note 12—Related Party Transactions

During January 2019, the Company repurchased 117,647 shares of Class A Common Stock from the Riverstone Sellers, at a weighted average purchase price of $17.00 per share, pursuant to the share repurchase program (see Note 8 - Equity - *Share Repurchase Program*).

In connection with the Corporate Reorganization, the Company engaged in transactions with affiliates including entering into the TRAs with affiliates (see Note 10). Also in conjunction with the Corporate Reorganization, Liberty Holdings contributed $2.1 million of assets to Liberty LLC and Redeemable Common Units in the amount of $42.6 million were settled.

In September 2011, Liberty Resources LLC, an oil and gas exploration and production company, and its successor entity (collectively, the "Affiliate") and LOS, companies with common ownership and management, entered into a services agreement (the "Services Agreement") whereby the Affiliate was to provide certain administrative support functions to LOS and a master service agreement whereby LOS provides hydraulic fracturing services to the Affiliate at market service rates. The Services Agreement was terminated during June 2018.

The amounts of the Company's revenue related to hydraulic fracturing services provided to the Affiliate for the three months ended June 30, 2019 and 2018 was $4.8 million and $0 , respectively, and $11.1 million and $3.9 million for the six months ended June 30, 2019 and 2018 , respectively. As of June 30, 2019 and December 31, 2018 , $0 and $15.1 million , respectively, of the Company's accounts receivable was with the Affiliate. The Company had no unbilled revenue with the Affiliate as of June 30, 2019 and December 31, 2018 . On June 24, 2019 (the "Agreement Date"), the Company entered into an agreement with the Affiliate to amend payment terms for outstanding invoices due as of the Agreement Date to be due on July 31, 2020. Amounts outstanding from the Affiliate as of the Agreement Date were $15.6 million , which are presented as a note receivable-related party in the accompanying condensed consolidated balance sheet as of June 30, 2019. The balance outstanding as of the Agreement Date is subject to interest at 13% annual percent yield, retroactively applied to the respective invoice date. During the three and six months ended and as of June 30, 2019, interest income and accrued interest due from the Affiliate were each $0.7 million . Receivables earned for services performed after the Agreement Date will continue to be subject to normal 30-day payment terms.

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Liberty Holdings entered into an advisory agreement dated December 30, 2011 with R/C, in which R/C agreed to provide certain administrative advisory services to Liberty Holdings. The Company incurred no service fees during the three and six months ended June 30, 2019 and 2018 , and fees accrued as of June 30, 2019 and December 31, 2018 were $0 and $2.3 million , respectively. The advisory services agreement was terminated pursuant to an agreement effective as of January 11, 2018. On January 11, 2018, Liberty Holdings, R/C and other parties entered into a Master Reorganization Agreement that, among other things, crystallized the "waterfall" provisions of Article VI of the Third Amended and Restated Limited Liability Agreement of Liberty Holdings, dated October 11, 2016 (the "Holdings LLC Agreement") in connection with the IPO. As part of this crystallization, R/C and affiliated entities (collectively, the "R/C Affiliates") received shares of Class A Common Stock, including 117,647 shares of Class A Common Stock (such 117,647 shares referred to as the "Issued Shares") to compensate R/C Affiliates for certain accrued preferred returns but which would not have been issued had the $2.0 million in fees owed under the advisory agreement been paid in cash. Had this fee been paid in cash on or prior to January 11, 2018, R/C and Liberty Holdings acknowledge that R/C Affiliates would not have received the Issued Shares in the crystallization pursuant to the provisions of the Holdings LLC Agreement. Subsequently, during the fourth quarter of 2018, R/C asserted that certain provisions of the termination of services agreement provided for R/C to receive $2.0 million in cash as payment of those accrued fees. To resolve this matter, the Company agreed to pay R/C Affiliates $2.0 million in cash in exchange for the purchase, at the IPO price, or return of the Issued Shares and $0.3 million for interest and the settlement of the matter. Accordingly, $2.3 million was recorded as accrued liabilities - related party in the accompanying condensed consolidated balance sheet as of December 31, 2018 and subsequently paid in January 2019. The purchased and returned shares of Class A Common Stock were canceled and retired, and the Company does not expect to incur future expense related to the advisory agreement or termination thereof.

During 2016, Liberty Holdings entered into a future commitment to invest and become a noncontrolling minority member in Proppant Express Investments, LLC, the owner of Proppant Express Solutions, LLC ("PropX"), a provider of proppant logistics equipment. LOS was party to a services agreement (the "PropX Services Agreement") whereby LOS was to provide certain administrative support functions to PropX, and LOS is to purchase and lease proppant logistics equipment from PropX. The PropX Services Agreement was terminated on May 29, 2018, however the Company continues to purchase and lease equipment from PropX. During the three months ended June 30, 2019 and 2018 , the Company made $0 purchases of proppant logistics equipment and leased proppant logistics equipment for $2.4 million and $1.1 million , respectively. During the six months ended June 30, 2019 and 2018 , the Company purchased proppant logistics equipment of $0 and $2.1 million , respectively, and incurred lease expenses of $4.9 million and $2.7 million , respectively. During the three months ended March 31, 2018, in exchange for a 5% discount, the Company made a prepayment to PropX for rented equipment in the amount of $5.4 million , all of which was recognized in the year ended December 31, 2018 . The Company made an additional $4.2 million prepayment, in exchange for a 5% discount, during the three months ended March 31, 2019, all of which was recognized in the six months ended June 30, 2019.

Receivables from PropX as of June 30, 2019 and December 31, 2018 were $0 . Payables to PropX as of June 30, 2019 and December 31, 2018 were $0.1 million and $0.2 million , respectively.

Note 13—Commitments & Contingencies

Purchase Commitments (tons and gallons are not in thousands)

The Company enters into purchase and supply agreements to secure supply and pricing of proppants and chemicals. As of June 30, 2019 and December 31, 2018 , the agreements commit the Company to purchase 9,694,350 and 11,266,000 tons, respectively, of proppant through December 31, 2021. Amounts above also include commitments to pay for transport fees on minimum amounts of proppants or railcars.

Certain proppant supply agreements contain a clause whereby in the event that the Company fails to purchase minimum volumes, as defined in the agreement, during a specific time period, a shortfall fee may apply. There were no shortfalls as of June 30, 2019 .

As of June 30, 2019 and December 31, 2018 , the Company had commitments to purchase 14,139,000 and 18,852,000 gallons of chemicals through December 31, 2020.

Future proppant, including rail car transport, and chemical commitments are as follows:

($ in thousands)		
Remainder of 2019	$	172,404
2020		261,984
2021		108,826
2022		3,433
2023		—
	$	546,647

Litigation

The Company is subject to legal proceedings, claims and litigation arising in the ordinary course of business. While the outcome of these matters is currently undeterminable, the Company does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its condensed consolidated financial position or results of operations.

Note 14—Selected Quarterly Financial Data

The following tables summarizes consolidated changes in equity for the three months ended June 30, 2019 and 2018 :

	Shares of Class A Common Stock	Shares of Class B Common Stock	Class A Common Stock, Par Value	Class B Common Stock, Par Value	Additional Paid in Capital	Retained Earnings	Total Stockholders ' equity	Noncontrolling Interest	Total Equity
Balance—March 31, 2019	68,744	43,570	$ 687	$ 436	$ 314,967	$ 133,877	$ 449,967	$ 305,515	$ 755,482
Distributions paid and payable to noncontrolling unitholders	—	—	—	—	—	—	—	(325)	(325)
$0.05/unit Distribution to noncontrolling unitholders	—	—	—	—	—	—	—	(2,179)	(2,179)
Restricted stock and RSU forfeitures	—	—	—	—	—	1	1	—	1
Stock based compensation expense	—	—	—	—	3,571	—	3,571	—	3,571
Regular cash dividends declared and distributions paid	—	—	—	—	—	(3,588)	(3,588)	—	(3,588)
RSU Vesting	218	—	3	—	(439)	—	(436)	(603)	(1,039)
Net income	—	—	—	—	—	22,032	22,032	18,491	40,523
Balance—June 30, 2019	68,962	43,570	$ 690	$ 436	$ 318,099	$ 152,322	$ 471,547	$ 320,899	$ 792,446

	Shares of Class A Common Stock	Shares of Class B Common Stock	Class A Common Stock, Par Value	Class B Common Stock, Par Value	Additional Paid in Capital	Retained Earnings	Total Stockholders ' equity	Noncontrolling Interest	Total Equity
Balance—March 31, 2018	69,971	48,207	$ 700	$ 482	$ 347,965	$ 23,675	$ 372,822	$ 278,098	$ 650,920
Distribution paid and payable to non-controlling interest unitholders	—	—	—	—	—	—	—	(7,688)	(7,688)
Offering costs for Issuance of Class A Common Stock	—	—	—	—	327	—	327	—	327
Stock based compensation expense	—	—	—	—	1,196	—	1,196	—	1,196
Restricted stock forfeited	(13)	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	49,595	49,595	45,146	94,741
Balance—June 30, 2018	69,958	48,207	$ 700	$ 482	$ 349,488	$ 73,270	$ 423,940	$ 315,556	$ 739,496

Note 15—Subsequent Events

On July 23, 2019, the Company ' s board of directors approved a quarterly dividend of $0.05 per share of Class A Common Stock, and a distribution of $0.05 per Liberty LLC Unit, to be paid on September 20, 2019 to holders of record as of September 6, 2019. The Company will use the proceeds from the Liberty LLC distribution to pay the dividend.

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During July 2019, certain Liberty LLC Unitholders exercised their redemption rights and redeemed 6,190,483 Liberty LLC Units (and an equivalent number of shares of Class B Common Stock) for 6,190,483 shares of Class A Common Stock of the Company. This exchange resulted in an increase to the ownership percentage of Liberty LLC owned by the Company. The Company expects to record a decrease to the Company's deferred tax liability as a result. In addition, the Company expects to record an increase to the payable pursuant to the TRAs.

Item 2. Management ' s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying financial statements and related notes. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of risks and uncertainties, including those described in "Cautionary Note Regarding Forward-Looking Statements" and our Annual Report under the heading "Item 1A. Risk Factors." We assume no obligation to update any of these forward-looking statements.

Unless the context otherwise requires, references to the terms "Company," "we," "us" and "our" refer to the Predecessor for periods prior to the IPO, and Liberty Oilfield Services Inc. and its consolidated subsidiaries for periods following the IPO.

Overview

We are a growing independent provider of hydraulic fracturing services to onshore oil and natural gas exploration and production ("E&P") companies in North America. We have grown from one active hydraulic fracturing fleet in December 2011 to 23 active fleets as of June 30, 2019 , including the addition of the latest fleet during the six months ended June 30, 2019 . We provide our services primarily in the Permian Basin, the Eagle Ford Shale, the DJ Basin, the Williston Basin and the Powder River Basin.

We believe the following characteristics both distinguish us from our competitors and are the foundations of our business: forming ongoing partnerships of trust and innovation with our customers; developing and utilizing technology to maximize well performance; and promoting a people-centered culture focused on our employees, customers and suppliers. We have developed strong relationships with our customers by investing significant time in fracture design collaboration, which substantially enhances their production economics. Our technological innovations have become even more critical as E&P companies have increased the completion complexity and fracture intensity of horizontal wells. We are proactive in developing innovative solutions to industry challenges, including developing: (i) our proprietary databases of U.S. unconventional wells to which we apply our proprietary multi-variable statistical analysis technologies to provide differential insight into fracture design optimization; (ii) our Liberty Quiet Fleet® design which significantly reduces noise levels compared to conventional hydraulic fracturing fleets; and (iii) hydraulic fracturing fluid systems tailored to the specific reservoir properties in the basins in which we operate. We foster a people-centered culture built around honoring our commitments to customers, partnering with our suppliers and hiring, training and retaining people that we believe to be the best talent in our field, enabling us to be one of the safest and most efficient hydraulic fracturing companies in the United States.

Recent Trends and Outlook

Demand for our hydraulic fracturing services is predominantly influenced by the level of drilling and completion by E&P companies, which, in turn, depends largely on the current and anticipated profitability of developing oil and natural gas reserves. More specifically, demand for our hydraulic fracturing services is driven by the completion of hydraulic fracturing stages in unconventional wells, which, in turn, is driven by several factors including rig count, well count, service intensity and the timing and style of well completions.

Macro Conditions

In the second quarter of 2019, the price of West Texas Intermediate crude oil averaged $59.88 compared with an average of $54.82 for the first quarter of 2019 and an average of $68.02 for the second quarter of 2018. In the second quarter of 2019, the horizontal rig count in North America averaged 868 compared to 919 in the first quarter of 2019 and 911 in the second quarter of 2018, according to a report by Baker Hughes, a GE company.

Entering the fourth quarter of 2018, there was an oversupply of staffed frac fleets in the market which, combined with reductions in customer activity, led to a rapid reduction of pricing for frac services. While there continues to be an oversupply of frac fleets in the market, as the supply of active frac equipment balances with demand, we expect pricing to eventually improve. However, we do not currently expect this improvement to occur during 2019.

Based on these market conditions, the diversity of Liberty's operating footprint, conversations with our customers and other factors, we expect demand for Liberty's frac services to remain stable for the remainder of the year, especially for our high-efficiency frac fleets. We do, however, expect to potentially see a decrease in the level of frac activity as we enter into the fourth quarter of 2019, as some customers may have fully spent their annual completions budget by that time.

How We Evaluate Our Operations

We use a variety of qualitative, operational and financial metrics to assess our performance. First and foremost of these is a qualitative assessment of customer satisfaction because ensuring we are a valuable partner to our customers is the key to achieving our quantitative business metrics. Among other measures, management considers each of the following:

Revenue;

Operating Income;

EBITDA;

Adjusted EBITDA;

Net Income Before Income Taxes; and

Earnings per Share.

Revenue

We analyze our revenue by comparing actual monthly revenue to our internal projections for a given period and to prior periods to assess our performance. We also assess our revenue in relation to the number of fleets we have deployed (revenue per average active fleet) from period to period.

Operating Income

We analyze our operating income, which we define as revenues less direct operating expenses, depreciation and amortization and general and administrative expenses, to measure our financial performance. We believe operating income is a meaningful metric because it provides insight on profitability and true operating performance based on the historical cost basis of our assets. We also compare operating income to our internal projections for a given period and to prior periods.

EBITDA and Adjusted EBITDA

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted to eliminate the effects of items such as new fleet or new basin start-up costs, costs of asset acquisition, gain or loss on the disposal of assets, asset impairment charges, bad debt reserves, and non-recurring expenses that management does not consider in assessing ongoing operating performance. See "—Comparison of Non-GAAP Financial Measures" for more information and a reconciliation of EBITDA and Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Results of Operations

Three months ended June 30, 2019 , compared to three months ended June 30, 2018

Description	Three months ended June 30, 2019	2018	Change
		(in thousands)	
Revenue	$ 542,147	$ 628,084	$ (85,937)
Cost of services, excluding depreciation and amortization shown separately	426,444	455,469	(29,025)
General and administrative	23,989	27,313	(3,324)
Depreciation and amortization	40,368	30,606	9,762
Loss on disposal of assets	143	485	(342)
Operating income	51,203	114,211	(63,008)
Interest expense	3,597	3,540	57
Net income before income taxes	47,606	110,671	(63,065)
Income tax expense	7,083	15,930	(8,847)
Net income	40,523	94,741	(54,218)
Less: Net income attributable to noncontrolling interests	18,491	45,146	(26,655)
Net income attributable to Liberty Oilfield Services Inc. stockholders	$ 22,032	$ 49,595	$ (27,563)

Revenue

Our revenue decreased $85.9 million , or 13.7% , to $542.1 million for the three months ended June 30, 2019 compared to $628.1 million for three months ended June 30, 2018 . The decrease was due to a 20.1% decrease in revenue per average active fleet, partially offset by an 8.0% increase in average active fleets deployed. Our revenue per average active fleet decreased to approximately $23.6 million for the three months ended June 30, 2019 as compared to approximately $29.5 million for the three months ended June 30, 2018 , with 23.0 and 21.3 average active fleets deployed during those respective periods. The decrease in revenue per average active fleet is due to the oversupply of staffed frac fleets combined with reduced demand from lower customer activity industrywide, resulting in lower prices for our services.

Cost of Services

Cost of services (excluding depreciation and amortization) decreased $29.0 million , or 6.4% , to $426.4 million for the three months ended June 30, 2019 compared to $455.5 million for the three months ended June 30, 2018 . The lower expense is due to a decrease in materials pricing and reflects a $48.4 million decrease attributable to materials, despite a 3.4% increase in material volumes used in the three months ended June 30, 2019 compared to the same period in 2018 . Unit prices for materials have come down with increased use of lower cost local sand. Personnel costs increased by $6.5 million, or 8.3%, to support the increased activity, including the 8.0% increase in average active fleets deployed. Additionally, the cost of components used in our repairs and maintenance operations increased by $13.6 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 .

General and Administrative

General and administrative expenses decreased by $3.3 million , or 12.2% , to $24.0 million for the three months ended June 30, 2019 compared to $27.3 million for the three months ended June 30, 2018 . The decrease is primarily due to a $2.9 million decrease in start-up costs, which decreased 87.7% from $3.3 million for the three months ended June 30, 2018 to $0.4 million for the three months ended June 30, 2019 as no fleets were placed in service during the current year period.

Depreciation and Amortization

Depreciation and amortization expense increased $9.8 million , or 31.9% , to $40.4 million for the three months ended June 30, 2019 compared to $30.6 million for the three months ended June 30, 2018 , due to one additional hydraulic fracturing fleet being deployed, and $2.6 million of depreciation related to the addition of finance leases in accordance with ASU 2016-02 Leases Topic 842 during the three months ended June 30, 2019 .

Operating Income

We realized operating income of $51.2 million for the three months ended June 30, 2019 compared to $114.2 million for the three months ended June 30, 2018 , a decrease of 55.2% . The decrease is primarily due to the $85.9 million , or 13.7% , decrease in total revenue, partially offset by a $22.9 million decrease in total operating expenses, components of which are discussed above.

Interest Expense

Interest expense was consistent between periods, decreasing slightly by $0.1 million , or 1.6% , during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 .

Net Income before Income Taxes

We realized net income before tax expense of $47.6 million for the three months ended June 30, 2019 compared to $110.7 million for the three months ended June 30, 2018 . The decrease in net income before income taxes is primarily attributable to a decrease in revenue, as discussed above, related to the decrease in pricing, offset by the deployment of one additional hydraulic fracturing fleet during the twelve months ended June 30, 2019 .

Income Tax Expense

As a pass-through entity prior to the IPO, the Predecessor was subject only to the Texas margin tax at a statutory rate of 1.0% and was not subject to U.S. federal income tax. Subsequent to the IPO, the pre-tax net income attributable to the Company is taxed at a combined U.S. federal and state tax rate of approximately 23.0%, while no tax is provided for the results attributable to the noncontrolling interests which remains pass through income. We recognized $7.1 million of expense for the three months ended June 30, 2019 , at an effective rate of 15.0% , compared to $15.9 million , at an effective rate of 13.9% , recognized during the three months ended June 30, 2018 . This decrease was attributable to the net decrease in operating income, the components of which are discussed above.

Six months ended June 30, 2019 , compared to six months ended June 30, 2018

Description	Six months ended June 30, 2019	2018	Change
	(in thousands)		
Revenue	$ 1,077,295	$ 1,123,244	$ (45,949)
Cost of services, excluding depreciation and amortization shown separately	855,743	832,296	23,447
General and administrative	46,077	48,990	(2,913)
Depreciation and amortization	78,755	58,622	20,133
Loss on disposal of assets	1,366	565	801
Operating income	95,354	182,771	(87,417)
Interest expense	7,779	10,034	(2,255)
Net income before income taxes	87,575	172,737	(85,162)
Income tax expense	13,143	24,009	(10,866)
Net income	74,432	148,728	(74,296)
Less: Net income attributable to Liberty LLC, prior to the Corporate Reorganization	—	8,705	(8,705)
Less: Net income attributable to noncontrolling interests	34,279	66,753	(32,474)
Net income attributable to Liberty Oilfield Services Inc. stockholders	$ 40,153	$ 73,270	$ (33,117)

Revenue

Our revenue decreased $45.9 million , or 4.1% , to $1,077.3 million for the six months ended June 30, 2019 compared to $1,123.2 million for six months ended June 30, 2018 . The decrease was due to a 13.4% decrease in revenue per average active fleet, partially offset by a 10.8% increase in average active fleets deployed. Our revenue per average active fleet decreased to approximately $47.7 million for the six months ended June 30, 2019 as compared to approximately $55.1 million for the six months ended June 30, 2018 , with 22.6 and 20.4 average active fleets deployed during those respective periods. The decrease in revenue per average active fleet is due to the oversupply of staffed frac fleets combined with reduced demand from lower customer activity industrywide, resulting in lower prices for our services.

Cost of Services

Cost of services (excluding depreciation and amortization) increased $23.4 million , or 2.8% , to $855.7 million for the six months ended June 30, 2019 compared to $832.3 million for the six months ended June 30, 2018 . The higher expense is due to a $30.0 million increase in repairs and maintenance costs primarily related to the increased pump hours in the six months ended June 30, 2019 compared to the same period in 2018 . Personnel costs also increased by $17.3 million, or 11.4%, to support the increased activity, including the 10.8% increase in average active fleets deployed. These increases were offset by a decrease in material costs of $28.6 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 , despite a 17.1% increase in material volumes used in the respective periods. Unit prices for materials have come down with increased use of lower cost local sand.

General and Administrative

General and administrative expenses decreased by $2.9 million , or 5.9% , to $46.1 million for the six months ended June 30, 2019 compared to $49.0 million for the six months ended June 30, 2018 . The decrease is primarily due to a $5.1 million decrease in start-up costs, which decreased 77.9% from $6.6 million for the six months ended June 30, 2018 to $1.5 million for the six months ended June 30, 2019 . This decrease was offset by an increase in personnel and benefits related to a $3.3 million increase in stock based compensation expense.

Depreciation and Amortization

Depreciation and amortization expense increased $20.1 million , or 34.3% , to $78.8 million for the six months ended June 30, 2019 compared to $58.6 million for the six months ended June 30, 2018 , due to one additional hydraulic fracturing fleet deployed, and $5.0 million of depreciation related to the addition of finance leases in accordance with ASU 2016-02 Leases Topic 842 during the twelve months ended June 30, 2019 .

Operating Income

We realized operating income of $95.4 million for the six months ended June 30, 2019 compared to $182.8 million for the six months ended June 30, 2018 . The decrease is primarily due to the $45.9 million decrease in total revenue, and a $41.5 million increase in total operating expenses, components of which are discussed above.

Interest Expense

The decrease in interest expense of $2.3 million , or 22.5% , during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 was primarily due to a decrease in debt issuance cost amortization of $1.8 million, related to the $61.1 million paydown on the Term Loan Facility during the first quarter of 2018 with proceeds from the IPO, an increase of $1.1 million of interest income, offset by an increase in interest expense related to finance leases of $1.4 million.

Net Income before Income Taxes

We realized net income before tax expense of $87.6 million for the six months ended June 30, 2019 compared to $172.7 million for the six months ended June 30, 2018 . The decrease in net income before income taxes is primarily attributable to the decrease in revenue and increase in total operating expenses, as discussed above.

Income Tax Expense

As a pass-through entity prior to the IPO, the Predecessor was subject only to the Texas margin tax at a statutory rate of 1.0% and was not subject to U.S. federal income tax. Subsequent to the IPO, the pre-tax net income attributable to the Company is taxed at a combined U.S. federal and state tax rate of approximately 23.0%, while no tax is provided for the results attributable to the noncontrolling interests which remains pass through income. We recognized $13.1 million of expense for the six months ended June 30, 2019 , compared to $24.0 million recognized during the six months ended June 30, 2018 . This decrease was attributable to the net decrease in operating income, the components of which are discussed above.

Comparison of Non-GAAP Financial Measures

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted to eliminate the effects of items such as new fleet or new basin start-up costs, costs of asset acquisitions, gain or loss on the disposal of assets, asset impairment charges, bad debt reserves and non-recurring expenses that management does not consider in assessing ongoing performance.

Our board of directors, management, investors and lenders use EBITDA and Adjusted EBITDA to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and other items that impact the comparability of financial results from period to period. We present EBITDA and Adjusted EBITDA because we believe they provide useful information regarding the factors and trends affecting our business in addition to measures calculated under GAAP. Additionally, the calculation of Adjusted EBITDA complies with the definition of Consolidated EBITDA, as defined in our Credit Facilities.

Note Regarding Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial performance and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as an analytical tool due to exclusion of some but not all items that affect the most directly comparable GAAP financial measures. You should not consider EBITDA or Adjusted EBITDA in isolation or as substitutes for an analysis of our results as reported under GAAP. Because EBITDA and

Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following tables present a reconciliation of EBITDA and Adjusted EBITDA to our net income, which is the most directly comparable GAAP measure for the periods presented:

EBITDA and Adjusted EBITDA

	Three Months Ended June 30,			Six Months Ended June 30,		
Description	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
		(in thousands)				
Net income	$ 40,523	$ 94,741	$ (54,218)	$ 74,432	$ 148,728	$ (74,296)
Depreciation and amortization	40,368	30,606	9,762	78,755	58,622	20,133
Interest expense	3,597	3,540	57	7,779	10,034	(2,255)
Income tax expense	7,083	15,930	(8,847)	13,143	24,009	(10,866)
EBITDA	$ 91,571	$ 144,817	$ (53,246)	$ 174,109	$ 241,393	$ (67,284)
Fleet start-up costs	406	3,298	(2,892)	1,460	6,607	(5,147)
Loss on disposal of assets	143	485	(342)	1,366	565	801
Advisory services fees	—	—	—	—	202	(202)
Adjusted EBITDA	$ 92,120	$ 148,600	$ (56,480)	$ 176,935	$ 248,767	$ (71,832)

EBITDA was $91.6 million for the three months ended June 30, 2019 compared to $144.8 million for the three months ended June 30, 2018 . Adjusted EBITDA was $92.1 million for the three months ended June 30, 2019 compared to $148.6 million for the three months ended June 30, 2018 . The decreases in EBITDA and Adjusted EBITDA resulted from decreases in revenue at a higher percentage than the decreases in operating expenses. See factors described above under the captions *Revenue* , *Cost of Services* and *General and Administrative* above.

EBITDA was $174.1 million for the six months ended June 30, 2019 compared to $241.4 million for the six months ended June 30, 2018 . Adjusted EBITDA was $176.9 million for the six months ended June 30, 2019 compared to $248.8 million for the six months ended June 30, 2018 . The decreases in EBITDA and Adjusted EBITDA resulted from decreases in revenue, partially offset by comparable decreases in operating expenses. See factors described above under the captions *Revenue* , *Cost of Services* and *General and Administrative* above.

Liquidity and Capital Resources

Overview

Historically, our primary sources of liquidity to date have been cash flows from operations, proceeds from our IPO and borrowings under our Credit Facilities. We expect to fund operations and organic growth with cash flows from operations. We may incur additional indebtedness or issue equity securities in order to fund growth opportunities that we pursue via acquisition. Our primary uses of capital have been capital expenditures to support organic growth and funding ongoing operations, including maintenance and fleet upgrades.

Cash and cash equivalents decreased by $70.8 million to $32.5 million as of June 30, 2019 compared to $103.3 million as of December 31, 2018 , primarily attributable to the timing of customer payments and services provided, as accounts receivable and unbilled revenue increased $94.6 million and $19.0 million , respectively. As a result of the increased balances in accounts receivable and unbilled revenue, the cash balance is lower as of June 30, 2019 until wells are completed and billed, and outstanding balances are paid. We believe that our operating cash flow and available borrowings under our Credit Facilities will be sufficient to fund our operations for at least the next twelve months.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

Description	Six Months Ended June 30, 2019	2018	Change
	(in thousands)		
Net cash provided by operating activities	$ 97,713	$ 109,201	$ (11,488)
Net cash used in investing activities	(130,064)	(137,843)	7,779
Net cash (used in) provided by financing activities	(38,458)	95,652	(134,110)
Net (decrease) increase in cash and cash equivalents	$ (70,809)	$ 67,010	$ (137,819)

Analysis of Cash Flow Changes Between the Six Months Ended June 30, 2019 and 2018

Operating Activities . Net cash provided by operating activities was $97.7 million for the six months ended June 30, 2019 , compared to $109.2 million for the six months ended June 30, 2018 . The $11.5 million decrease in cash from operating activities was primarily attributable to a $45.9 million decrease in revenues and a $15.3 million increase in cash based operating expenses, offset by a reduction of $30.3 million in funds used to satisfy working capital obligations.

Investing Activities . Net cash used in investing activities was $130.1 million for the six months ended June 30, 2019 , compared to $137.8 million for the six months ended June 30, 2018 . The Company deployed one fleet and purchased additional spare and pump down equipment to add to existing fleets in the six months ended June 30, 2019 compared to three fleets deployed in the six months ended June 30, 2018 .

Financing Activities . Net cash used in financing activities was $38.5 million for the six months ended June 30, 2019 , compared to net cash provided by financing activities of $95.7 million for the six months ended June 30, 2018 . The $134.1 million decrease in cash provided by financing activities was primarily due to the Company ’ s IPO in the six months ended June 30, 2018 , which resulted in $194.0 million in net proceeds from the IPO, offset by the use of proceeds to repay $91.5 million of long term debt. Further, in the six months ended June 30, 2019 the Company repurchased shares of Class A Common Stock under the share repurchase programs that were authorized in September 2018 and January 2019, increasing the cash used in financing activities by $18.4 million . The Company also incurred $6.8 million of principal payments for finance leases recorded in the six months ended June 30, 2019 with the adoption of ASU 2016-02 Leases Topic 842.

ABL Facility

The Company’s ABL Facility provides for a line of credit up to $250.0 million, subject to certain borrowing base limitations based on a percentage of eligible accounts receivable and inventory. As of June 30, 2019 , the borrowing base was calculated to be $234.2 million , and the Company had no borrowings outstanding, except for letter of credit in the amount of $0.3 million , with $233.9 million of availability. Borrowings under the ABL Facility bear interest at LIBOR or a base rate, plus an applicable LIBOR margin of 1.5% to 2.0% or base rate margin of 0.5% to 1.0%, as defined in the ABL Facility credit agreement. The unused commitment is subject to an unused commitment fee of 0.375% to 0.5%. Interest and fees are payable in arrears at the end of each month, or, in the case of LIBOR loans, at the end of each interest period. The ABL Facility matures on the earlier of (i) September 19, 2022 and (ii) to the extent the debt under the Term Loan Facility remains outstanding, 90 days prior to the final maturity of the Term Loan Facility, which matures on September 19, 2022. Borrowings under the ABL Facility are collateralized by accounts receivable and inventory, and further secured by the Company, Liberty LLC and R/C IV Non-U.S. LOS Corp., a Delaware corporation and a subsidiary of the Company, as parent guarantors.

Income Taxes

The Company is a corporation and is subject to U.S. federal, state and local income tax on its share of Liberty LLC’s taxable income.

The effective combined U.S. federal and state income tax rate applicable to the Company for the six months ended June 30, 2019 was 15.0% , compared to 13.9% for the period ended June 30, 2018 commencing on January 17, 2018, the date of the Corporate Reorganization. The Company’s effective tax rate is significantly less than the statutory federal tax rate of 21.0% primarily because no taxes are payable by the Company for the noncontrolling interest’s share of Liberty LLC’s pass through results for federal, state and local income tax reporting. The Company’s effective tax rate is higher for the six month period ended June 30, 2019 , due to our status as a corporation subject to U.S. federal income tax for the entire six month period ended

June 30, 2019 , as opposed to the shortened taxable period ended June 30, 2018 , and due to various unitholders exercising their redemption rights, which increases the Company ' s proportionate share of operating income. As a pass-through entity prior to the IPO, the Predecessor was subject only to the Texas margin tax at a statutory rate of 1.0% and was not subject to U.S. federal income tax. The Company recognized income tax expense of $13.1 million during the six months ended June 30, 2019 , compared to $24.0 million during the shortened taxable period ended June 30, 2018 .

Tax Receivable Agreements

In connection with the IPO, on January 17, 2018, the Company entered into the TRAs with the TRA Holders. The TRAs generally provide for the payment by the Company of 85% of the net cash savings, if any, in U.S. federal, state, and local income tax and franchise tax (computed using simplifying assumptions to address the impact of state and local taxes) that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the IPO as a result, as applicable to each TRA Holder, of (i) certain increases in tax basis that occur as a result of the Company's acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holders' Liberty LLC Units in connection with the IPO or pursuant to the exercise of redemption or call rights, (ii) any net operating losses available to the Company as a result of the Corporate Reorganization, and (iii) imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, any payments the Company makes under the TRAs.

With respect to obligations the Company expects to incur under the TRAs (except in cases where the Company elects to terminate the TRAs early, the TRAs are terminated early due to certain mergers, asset sales, or other changes of control or the Company has available cash but fails to make payments when due), generally the Company may elect to defer payments due under the TRAs if the Company does not have available cash to satisfy its payment obligations under the TRAs or if its contractual obligations limit its ability to make such payments. Any such deferred payments under the TRAs generally will accrue interest. In certain cases, payments under the TRAs may be accelerated and/or significantly exceed the actual benefits, if any, the Company realizes in respect of the tax attributes subject to the TRAs. The Company accounts for amounts payable under the TRAs in accordance with ASC Topic 450, Contingencies.

If the Company experiences a change of control (as defined under the TRAs) or the TRAs otherwise terminate early, the Company's obligations under the TRAs could have a substantial negative impact on its liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, or other forms of business combinations or changes of control. There can be no assurance that we will be able to finance our obligations under the TRAs.

Critical Accounting Policies and Estimates

The condensed consolidated financial statements are prepared in accordance with GAAP, which require us to make estimates and assumptions (see Note 2 to the consolidated and combined financial statements included in the Annual Report). We believe that some of our accounting policies involve a higher degree of judgment and complexity than others. As of December 31, 2018, our critical accounting policies included leases, revenue recognition, estimating the recoverability of accounts receivable, inventory valuation, accounting for income taxes and accounting for long-lived assets. These critical accounting policies are discussed more fully in the Annual Report.

Effective January 1, 2019, the Company adopted ASU No. 2016-02, Leases (Topic 842) (see Note 2 to the condensed consolidated financial statements included in this Quarterly Report). There have been no other changes in our evaluation of our critical accounting policies since December 31, 2018.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements as of June 30, 2019 , except for purchase commitments under supply agreements as disclosed above under "Item 1. Financial Statements—Note 13—Commitments & Contingencies." As such, we are not materially exposed to any other financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

For quantitative and qualitative disclosures about market risk, see Part II, Item 7(a), “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report. Our exposure to market risk has not changed materially since December 31, 2018.

Item 4. Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2019 . The evaluation included certain internal control areas in which we have made and are continuing to make changes to improve and enhance controls. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s (the “SEC”) rules and forms and that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2019 , our disclosure controls and procedures were effective, at the reasonable assurance level. Any controls and procedures, no matter how well designed and operated can only provide reasonable assurance of achieving the desired control objective and management necessarily applies its judgment in evaluating the cost-benefit relationship of all possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to legal proceedings, claims and litigation arising in the ordinary course of business. While the outcome of these matters is currently undeterminable, we do not expect that the ultimate costs to resolve these matters will have a material adverse effect on our condensed consolidated financial position or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors and other cautionary statements described under the heading "Item 1A. Risk Factors" included in the Annual Report and the risk factors and other cautionary statements contained in our other SEC filings, which could materially affect our businesses, financial condition or future results. There have been no material changes in the risk factors from those described in our Annual Report or our other SEC filings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

No repurchases of shares of Class A Common Stock were made under our repurchase plans during the three months ended June 30, 2019.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

The exhibits required to be filed by Item 6 are set forth in the Exhibit Index included below.

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Master Reorganization Agreement, dated as of January 11, 2018, by and among Liberty Oilfield Services Inc., Liberty Oilfield Services Holdings LLC, Liberty Oilfield Services New HoldCo LLC, and the other parties named therein (1)
3.1	Amended and Restated Certificate of Incorporation of Liberty Oilfield Services Inc. (1)
3.2	Amended and Restated Bylaws of Liberty Oilfield Services Inc. (2)
4.1	Stockholder Agreement, dated as of January 17, 2018, by and among Liberty Oilfield Services Inc., R/C IV Liberty Oilfield Services Holdings, L.P., R/C Energy IV Direct Partnership, L.P., and other parties names therein (1)
4.2	Stockholders Agreement, dated as of July 23, 2019, by and among Liberty Oilfield Services Inc., R/C IV Liberty Holdings, L.P. and R/C Energy IV Direct Partnership, L.P. (3)
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) *
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) *
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *

(1) Incorporated by reference to the registrant's Current Report on Form 8-K, filed on January 18, 2018.

(2) Incorporated by reference to the registrant's Amendment No. 1 to the Current Report on Form 8-K/A, filed on January 22, 2018.

(3) Incorporated by reference to the registrant's Current Report on Form 8-K, filed on July 29, 2019.

* Filed herewith.

** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

			Signature
Date:	August 1, 2019	By:	/s/ Christopher A. Wright Christopher A. Wright *Chief Executive Officer (Principal Executive Officer)*
Date:	August 1, 2019	By:	/s/ Michael Stock Michael Stock *Chief Financial Officer (Principal Financial Officer)*
Date:	August 1, 2019	By:	/s/ Ryan T. Gosney Ryan T. Gosney *Chief Accounting Officer (Principal Accounting Officer)*

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher A. Wright, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Liberty Oilfield Services Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting; or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

By: /s/ Christopher A. Wright
Christopher A. Wright
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael Stock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Liberty Oilfield Services Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting; or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

By: /s/ Michael Stock
Michael Stock
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER
18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Liberty Oilfield Services Inc. (the " *Company* "), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (" *Form 10-Q* ") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2019

By: /s/ Christopher A. Wright
Christopher A. Wright
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER UNDER
18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Liberty Oilfield Services Inc. (the " *Company* "), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (" *Form 10-Q* ") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2019

By: /s/ Michael Stock
Michael Stock
Chief Financial Officer
(Principal Financial Officer)