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 September 30, 2018

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 17th Street, Suite 2400 Denver, Colorado	**80202**
(Address of Principal Executive Offices)	(Zip Code)

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

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 October 31, 2018, the registrant had 70,110,361 shares of Class A Common Stock and 45,207,372 shares of Class B Common Stock outstanding.

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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 (the "Securities Act"), 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 plans to return capital to stockholders;
- 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; 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, 2017 (the "Annual Report").

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 and Combined Balance Sheets
(Dollars in thousands, except share data)

	September 30, 2018	December 31, 2017
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 87,077	$ 16,321
Accounts receivable—trade	241,346	195,961
Accounts receivable—related party	4,213	3,984
Unbilled revenue	80,233	58,784
Unbilled revenue—related party	—	59
Inventories	55,836	55,524
Prepaid and other current assets	33,356	21,396
Total current assets	502,061	352,029
Property and equipment, net	583,942	494,776
Other assets	15,030	5,298
Total assets	$ 1,101,033	$ 852,103
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 95,624	$ 66,846
Accrued liabilities:		
Accrued vendor invoices	49,712	78,646
Operational accruals	21,538	32,208
Accrued salaries and benefits	27,487	24,990
Deferred revenue	750	9,231
Accrued interest and other	8,909	6,573
Accrued liabilities—related party	—	2,000
Current portion of long-term debt, net of discount of $1,370 and $1,739, respectively	817	11
Total current liabilities	204,837	220,505
Long-term debt, net of discount of $4,137 and $6,466, respectively, less current portion	106,267	196,346
Deferred tax liability	44,042	—
Payable pursuant to tax receivable agreement	2,291	—
Total liabilities	357,437	416,851
Commitments & contingencies (Note 12)		
Redeemable common units	—	42,486
Members' equity:		
Members' equity	—	392,766
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 67,110,361 issued and outstanding as of September 30, 2018 and none issued and outstanding as of December 31, 2017	671	—
Class B, $0.01 par value, 400,000,000 shares authorized and 48,207,372 issued and outstanding as of September 30, 2018 and none issued and outstanding as of December 31, 2017	482	—
Additional paid in capital	311,772	—
Retained earnings	103,820	—
Total stockholders' equity	416,745	—
Noncontrolling interest	326,851	—
Total equity	743,596	392,766
Total liabilities and equity	$ 1,101,033	$ 852,103

See Notes to Condensed Consolidated and Combined Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue:				
Revenue	$ 552,525	$ 436,333	$ 1,671,707	$ 1,020,291
Revenue—related parties	6,252	5,520	10,314	20,681
Total revenue	558,777	441,853	1,682,021	1,040,972
Operating costs and expenses:				
Cost of services (exclusive of depreciation and amortization shown separately below)	418,867	328,434	1,251,163	807,693
General and administrative	24,659	22,245	73,648	59,351
Depreciation and amortization	32,305	24,164	90,927	55,831
Loss (gain) on disposal of assets	701	21	1,266	(12)
Total operating costs and expenses	476,532	374,864	1,417,004	922,863
Operating income	82,245	66,989	265,017	118,109
Other expense:				
Interest expense	(3,648)	(3,326)	(13,682)	(6,528)
Interest expense related party	—	—	—	(761)
Total interest expense	(3,648)	(3,326)	(13,682)	(7,289)
Net income before income taxes	78,597	63,663	251,335	110,820
Income tax expense	12,229	—	36,238	—
Net income	66,368	63,663	215,097	110,820
Less: Net income attributable to Predecessor, prior to Corporate Reorganization	—	63,663	8,705	110,820
Less: Net income attributable to noncontrolling interests	32,275	—	99,028	—
Net income attributable to Liberty Oilfield Services Inc. stockholders	$ 34,093	$ —	$ 107,364	$ —
Net income attributable to Liberty Oilfield Services Inc. stockholders per common share:				
Basic	$ 0.50		$ 1.56	
Diluted	$ 0.49		$ 1.53	
Weighted average common shares outstanding:				
Basic	68,548		68,823	
Diluted	118,470		118,426	

See Notes to Condensed Consolidated and Combined Financial Statements.

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

	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 agreement	—	—	—	—	—	(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	—
Results Subsequent to Initial Public Offering										
Distributions paid to noncontrolling interest unitholders	—	—	—	—	—	—	—	—	(17,359)	(17,359)
Restricted stock forfeited	—	(22)	—	(1)	—	—	—	(1)	—	(1)
Stock based compensation expense	—	—	—	—	—	3,122	—	3,122	—	3,122
$0.05/LLC Unit distribution paid to noncontrolling interest unitholders									(2,410)	(2,410)
Dividend declared ($0.05 / share of Class A Common Stock)							(3,544)	(3,544)		(3,544)
Share repurchase		(2,843)		(28)		(39,642)		(39,670)	(14,252)	(53,922)
Net income subsequent to the Corporate Reorganization and IPO	—	—	—	—	—	—	107,364	107,364	99,028	206,392
Balance—September 30, 2018	$ —	67,110	48,207	$ 671	$ 482	$ 311,772	$103,820	$ 416,745	$ 326,851	$743,596

See Notes to Condensed Consolidated and Combined Financial Statements.

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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash flows from operating activities:		
Net income	$ 215,097	$ 110,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	90,927	55,831
Loss (gain) on disposal of assets	1,266	(12)
Amortization of debt issuance costs	3,442	1,679
Inventory write-down	3,389	259
Stock based compensation expense	3,122	—
Deferred tax expense	15,246	—
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	(66,834)	(138,951)
Accounts receivable and unbilled revenue—related party	(170)	(234)
Inventories	(3,701)	(13,955)
Prepaid and other current assets	(31,699)	(15,872)
Accounts payable and accrued liabilities	(6,458)	114,248
Accounts payable and accrued liabilities—related party	—	1,294
Net cash provided by operating activities	223,627	115,107
Cash flows from investing activities:		
Capital expenditures	(187,079)	(252,351)
Proceeds from disposal of assets	3,138	1,054
Net cash used in investing activities	(183,941)	(251,297)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of underwriter discount	230,174	—
Redemption of LLC Units from Legacy Owners	(25,897)	—
Proceeds from borrowings on term loan, net of discount	—	171,500
Repayments of borrowings on term loan	(61,972)	(57,000)
Proceeds from borrowings on line-of-credit	—	110,559
Repayments of borrowings on line-of-credit	(30,000)	(104,000)
Proceeds from Liberty Oilfield Services Holdings LLC	2,115	—
Distribution and dividend paid to noncontrolling interest unitholders and Class A common stock shareholders	(5,861)	—
Share Repurchase	(53,922)	—
Proceeds from related party bridge loans	—	60,000
Payments on capital lease obligations	—	(119)
Payments of debt issuance costs	(282)	(8,747)
Proceeds from issuance of redeemable common units	—	39,794
Payments for redemption of redeemable common units		(62,739)
Distributions paid to noncontrolling interest unitholders	(17,358)	—
Payment of deferred equity offering costs	(5,927)	(3,397)
Net cash provided by financing activities	31,070	145,851
Net increase (decrease) in cash and cash equivalents	70,756	9,661
Cash and cash equivalents—beginning of period	16,321	11,484
Cash and cash equivalents—end of period	$ 87,077	$ 21,145
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 19,829	$ —
Cash paid for interest	$ 10,760	$ 5,132
Non-cash investing and financing activities:		
Capital expenditures included in accounts payable and accrued liabilities	$ 16,105	$ 17,877

Related party bridge loans exchanged for Redeemable Class 2 Common Units	$ —	$ 60,679

See Notes to Condensed Consolidated and Combined Financial Statements.

LIBERTY OILFIELD SERVICES INC.
Notes to Condensed Consolidated and Combined 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 (as detailed below, the "Corporate Reorganization") and planned initial public offering of the Company ("IPO"). The Company has no material assets other than its ownership in Liberty LLC.

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"), which includes the assets and liabilities of LOS Odessa RE Investments, LLC ("Odessa") and LOS Cibolo RE Investments, LLC ("Cibolo"). 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.

Corporate Reorganization

In connection with the IPO, the Company completed a series of organizational transactions, including the following:

- Liberty Holdings contributed all of its assets to Liberty LLC in exchange for Liberty LLC Units (as defined below);
- Liberty Holdings liquidated and distributed to its then-existing owners (the "Legacy Owners") Liberty LLC Units pursuant to the terms of the limited liability company agreement of Liberty Holdings and the Master Reorganization Agreement dated as of January 11, 2018, by and among the Company, Liberty Holdings, Liberty LLC, and the other parties named therein (the "Master Reorganization Agreement");
- Certain of the Legacy Owners directly or indirectly contributed all or a portion of their Liberty LLC Units to the Company in exchange for 55,685,027 shares of our Class A common stock, par value $0.01 per share (the "Class A Common Stock"), and 1,258,514 restricted shares of Class A Common Stock. Subsequent to the initial exchange, 1,609,122 shares of Class A Common Stock were redeemed for an aggregate price of $25.9 million , upon the exercise of the underwriters' overallotment option;
- the Company issued, at par, the Legacy Owners that continued to own Liberty LLC Units (the "Liberty Unit Holders") an aggregate amount of 48,207,372 shares of our Class B common stock, par value $0.01 per share (the "Class B Common Stock"); and
- the Company contributed the net proceeds it received from the IPO to Liberty LLC in exchange for additional Liberty LLC Units such that the Company held a total number of Liberty LLC Units equal to the number of shares of Class A Common Stock outstanding immediately following the IPO.

Initial Public Offering

On January 17, 2018 the Company completed its IPO of 14,640,755 shares of its Class A Common Stock at a public offering price of $17.00 per share, of which 14,340,214 shares were offered by the Company and 300,541 were offered by the selling shareholder. The Company received $220.3 million net proceeds from the IPO, after deducting approximately $13.4 million in underwriting discounts and commissions and $10.1 million of other offering costs. The Company did not receive any proceeds from the sale of the shares of Class A Common Stock by the selling shareholder. The Company used $25.9 million of net proceeds to redeem ownership interests in Liberty LLC from the Legacy Owners. The Company contributed the remaining net proceeds to Liberty LLC in exchange for units in Liberty LLC (the "Liberty LLC Units"). Liberty LLC used a portion of these net proceeds (i) to repay outstanding borrowings and accrued interest under the Predecessor's ABL Facility (as defined herein), totaling approximately $30.1 million , (ii) to repay 35% of the Predecessor's outstanding borrowings, accrued interest and prepayment premium under the Term Loan Facility (as defined herein), totaling approximately $62.5 million and (iii) for general corporate purposes, including repayment of additional indebtedness and funding a portion of 2018 and other future capital expenditures. As of September 30, 2018 , the Company owned 58.2% of Liberty LLC.

Basis of Presentation

The accompanying unaudited condensed consolidated and combined 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 Company's 2017 Annual Report on Form 10-K (the "Annual Report").

The accompanying unaudited condensed consolidated and combined financial statements and related notes present the consolidated financial position, results of operations, cash flows, and equity of the Company as of and for the three and nine months ended September 30, 2018 and the combined financial position, results of operations, and cash flows of the Predecessor as of December 31, 2017 and for the three and nine months ended September 30, 2017 . 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 nine months ended September 30, 2018 are not necessarily indicative of the results of operations expected for the entire fiscal year ended December 31, 2018 .

All intercompany amounts have been eliminated in the presentation of these unaudited condensed consolidated and combined financial statements. Comprehensive income is not reported due to the absence of items of other comprehensive income or loss during the periods presented. The condensed consolidated and combined 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 and combined 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. In the opinion of management, the adjustments necessary for a fair presentation of the combined financial statements in accordance with GAAP have been made. Such adjustments are of a normal recurring nature.

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

Note 2—Significant Accounting Policies

Revenue Recognition

Effective January 1, 2018, the Company adopted a comprehensive new revenue recognition standard, Accounting Standard Codification ("ASC") Topic 606- *Revenue from Contracts with Customers* . The details of the significant changes to accounting policies resulting from the adoption of the new standard are set out below. The Company adopted the standard using a modified retrospective method; accordingly, the comparative information for the three and nine months ended September 30, 2017 has not been adjusted and continues to be reported under the previous revenue standard. The adoption of this standard did not have a material impact to the condensed consolidated financial position, reported revenue, results of operations or cash flows as of and for the three and nine months ended September 30, 2018 .

Under the new standard, revenue recognition is based on the transfer of control, or the customer's ability to benefit from the services and products in an amount that reflects the consideration expected to be received in exchange for those services and products. In recognizing revenue for services and products, the transaction price is determined from sales orders or contracts with customers. Revenue is recognized at the completion of each fracturing stage, and in most cases the price at the end of each stage is fixed, however, in limited circumstances contracts may contain variable consideration.

Variable consideration typically may relate to discounts, price concessions and incentives. We estimate variable consideration based on the amount of consideration we expect to receive. The Company accrues revenue on an ongoing basis to reflect updated information for variable consideration as performance obligations are met.

The Company also assesses customers' ability and intention to pay, which is based on a variety of factors including historical payment experience and financial condition. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 45 days.

From time to time, the Company may require partial payment in advance from new customers to secure credit or from existing customers in order to secure additional hydraulic fracturing services. Initially, such payments are recorded in the accompanying condensed consolidated and combined financial statements as deferred revenue, and upon performance of the agreed services, the Company recognizes revenue consistent with its revenue recognition policy described above. As of September 30, 2018 , the Company had $0.8 million recorded as deferred revenue related to the unearned portion of a prepayment from an existing customer to secure additional services from a new fleet by the end of 2017. The new fleet commenced services in December 2017, and the Company applies the prepayment in accordance with the customer agreement as services are performed. During the three and nine months ended September 30, 2018 , the Company recognized $3.1 million and $8.5 million of the prepayment to revenue, respectively.

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 combined statement of operations. Start-up costs for the three and nine months ended September 30, 2018 were $2.2 million and $8.8 million , respectively, related to zero and three new fleets deployed during each respective period. Start-up costs for the three and nine months ended September 30, 2017 were $1.9 million and $10.8 million , respectively, related to one and seven 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 5).

Recently Adopted Accounting Standards

In August 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-15, “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40),” which amends ASC 350-40 to address a customer's accounting for implementation costs incurred in a cloud computing arrangement (“CCA”) that is a service contract. ASU 2018-15 aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Specifically, ASU 2018-15 amends ASC 350-40 to include in its scope implementation costs of a CCA that is a service contract and clarifies that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized. The update is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. The Company adopted this standard for the September 30, 2018 reporting period using the prospective approach. The adoption of this standard did not materially impact the condensed consolidated financial statements as of and for the three and nine months ended September 30, 2018 .

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This ASU sets forth a five-step model for determining when and how revenue is recognized. Under the model, an entity is required to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. Additional disclosures are required to describe the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The Company adopted this standard on January 1, 2018 using the modified retrospective method. The Company did not record a cumulative effect adjustment to the opening balance of retained earnings, as no adjustment was necessary. The adoption of this standard did not impact the Company’s reported revenue, net income or cash flows.

In May 2017, the FASB issued ASU 2017-09, “Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting”, which provides guidance to increase clarity and reduce both diversity in practice and cost and complexity when applying the existing accounting guidance on changes to the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 require an entity to account for the effects of a modification unless all the following conditions are met: (i) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The guidance in ASU 2017-09 is applied prospectively. The amendments in ASU 2017-09 are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company’s adoption of this guidance effective January 1, 2018, did not materially impact its condensed consolidated and combined financial statements.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a purchase financed by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less may be accounted for similarly to existing guidance for operating leases today. ASU 2016-02 is expected to impact the Company's consolidated and combined financial statements as the Company has certain operating and real property lease arrangements for which it is the lessee. The Company plans to adopt the standard effective January 1, 2019. The Company is currently finalizing its selection of an adoption method, selecting a new lease system, and evaluating the impact the adoption of this standard will have on its condensed consolidated and combined financial statements.

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 the adoption of this standard will have on its condensed consolidated and combined financial statements.

Note 3—Inventories

Inventories consist of the following:

($ in thousands)	September 30, 2018	December 31, 2017
Proppants	$ 23,907	$ 30,523
Chemicals	10,325	10,660
Maintenance parts	21,604	14,341
	$ 55,836	$ 55,524

During the three month period ended June 30, 2018, the lower of cost or net realizable value analysis resulted in the Company recording a write-down to inventory carrying values of $3.4 million , included as a component in cost of services in the condensed consolidated statements of income for the nine month period ended September 30, 2018 .

Note 4—Property and Equipment

Property and equipment consist of the following:

($ in thousands)	Estimated useful lives (in years)	September 30, 2018	December 31, 2017
Land	N/A	$ 5,400	$ 4,495
Field services equipment	2-7	738,338	572,096
Vehicles	4-7	61,261	60,815
Buildings and facilities	5-30	27,603	24,260
Office equipment, furniture, and software	2-7	6,173	5,879
		838,775	667,545
Less accumulated depreciation and amortization		(286,346)	(198,453)
		552,429	469,092
Construction in-progress	N/A	31,513	25,684
		$ 583,942	$ 494,776

Depreciation expense for the three months ended September 30, 2018 and 2017 was $32.3 million and $24.2 million , respectively. During the nine months ended September 30, 2018 and 2017 , the Company recognized depreciation expense of $90.9 million and $55.8 million , respectively.

Note 5—Debt

Debt consists of the following:

($ in thousands)	September 30, 2018	December 31, 2017
Term Loan Outstanding	$ 112,591	$ 174,562
Revolving Line of Credit	—	30,000
Deferred financing costs and original issue discount	(5,507)	(8,205)
Total debt, net of deferred financing costs and original issue discount	$ 107,084	$ 196,357
Current portion of long-term debt, net of discount	$ 817	$ 11
Long-term debt, net of discount and current portion	106,267	196,346
	$ 107,084	$ 196,357

On September 19, 2017, the Company entered into two new credit agreements 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 September 30, 2018 , the borrowing base was calculated to be $250.0 million , and the Company had no borrowings outstanding, except for a letter of credit in the amount of $0.3 million , with $249.7 million of remaining 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.

Term Loan Facility

The Term Loan Facility provides for a $175.0 million term loan, of which $112.6 million remained outstanding as of September 30, 2018 . Amounts outstanding bear interest at LIBOR or a base rate, plus an applicable margin of 7.625% or 6.625% , respectively, and the weighted average rate on borrowings was 9.8% as of September 30, 2018 . 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 Term Loan Facility is collateralized by the fixed assets of LOS and its subsidiaries, and is 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.

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). Certain mandatory prepayments and optional prepayments are subject to a prepayment premium of 3% of the prepaid principal declining annually to 1% during the first three years of the term of the Term Loan Facility.

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 Credit 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 September 30, 2018 .

Maturities of debt are as follows:

($ in thousands)		
Year Ending September 30,		
2019	$	2,188
2020		1,750
2021		1,750
2022		106,903
2023		—
	$	112,591

Note 6—Redeemable Common Units

During February 2017, ACQI received $39.8 million in cash from Liberty Holdings in exchange for 40,000,000 redeemable common units of ACQI which accrue a return of 8% per annum (the "Redeemable Common Units"). The Redeemable Common Units were redeemable at the option of the holder on the later of (A) the earlier of an initial public offering or March 23, 2020 and (B) the second business day after all principal and interest outstanding under the ABL Facility have been paid in full and commitments thereunder are terminated. In accordance with ASC 505, "Equity", due to their conditional redemption feature, the Redeemable Common Units were classified as temporary equity in the accompanying combined balance sheet as of December 31, 2017 .

The Redeemable Common Units were deemed extinguished and satisfied in full in connection with the Corporate Reorganization (see Note 1).

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 nine months ended September 30, 2018 and 2017 .

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, long-term debt, and capital 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 balance sheets approximated or equaled their fair values at September 30, 2018 and December 31, 2017 .

- The carrying values of cash and cash equivalents, accounts receivable and accounts payable (including accrued liabilities) approximated fair value at September 30, 2018 and December 31, 2017 , due to their short-term nature.
- The carrying value of amounts outstanding under long-term debt agreements with variable rates approximated fair value at September 30, 2018 and December 31, 2017 , 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 combined financial statements. There were no such measurements required as of September 30, 2018 and December 31, 2017 .

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 $87.1 million and $16.3 million as of September 30, 2018 and December 31, 2017 , 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 September 30, 2018 and December 31, 2017 , two and one customers accounted for 28% and 22% 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 September 30, 2018 and 2017 , one and two customers accounted for 12% and 37% of total revenue, respectively. During the nine months ended September 30, 2018 and 2017 , one customer accounted for 13% and 29% of total revenue, respectively.

As of September 30, 2018 and December 31, 2017 , the Company had no provision for doubtful accounts.

Note 8—Equity

Preferred Stock

As of September 30, 2018 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 shareholders.

Class A Common Stock

The Company had a total of 67,110,361 shares of Class A Common Stock outstanding as of September 30, 2018 , which includes 922,604 shares of 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 48,207,372 shares of Class B Common Stock outstanding as of September 30, 2018 . 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.

Holders of Class B Common Stock do not have any right to receive dividends, unless the dividend consists of Class B Common Stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for shares of Class B Common Stock paid proportionally with respect to each outstanding share of Class B Common Stock and a dividend consisting of shares of Class A Common Stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for shares of Class A Common Stock on the same terms is simultaneously paid to the holders of Class A Common Stock. Holders of Class B Common Stock do not have any right to receive a distribution upon liquidation or winding up of the Company.

The Liberty LLC Unit holders generally have the right (the “Redemption Right”) to cause Liberty LLC to acquire all or a portion of their Liberty LLC Units (and a corresponding number of shares of Class B Common Stock), for, at Liberty LLC’s election, (i) shares of Class A Common Stock, at a redemption ratio of one share of Class A Common Stock for each Liberty LLC Unit (and corresponding share of Class B Common Stock) redeemed, (subject to conversion rate adjustments for stock splits, stock dividends, and reclassifications and other similar transactions) or (ii) an equivalent amount of cash. Alternatively, upon the exercise of the Redemption Right, the Company (instead of Liberty LLC) will have the right (the “Call Right”) to, for administrative convenience, acquire each tendered Liberty LLC Unit directly from the redeeming Liberty Unit holder for, at its election, (x) one share of Class A Common Stock or (y) an equivalent amount of cash. In addition, upon a change of control of the Company, the Company has the right to require each holder of Liberty LLC Units (other than the Company) to exercise its Redemption Right with respect to some or all of such unitholder’s Liberty LLC Units. In connection with any redemption of Liberty LLC Units pursuant to the Redemption Right or the Call Right, the corresponding number of shares of Class B Common Stock will be canceled.

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 period subsequent to the Corporate Reorganization on January 17, 2018:

(In thousands, except per share data)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Basic Net Income Per Share		
Numerator:		
Net income attributable to Liberty Oilfield Services Inc. Stockholders	$ 34,093	$ 107,364
Denominator:		
Basic weighted average shares outstanding	68,548	68,823
Basic net income per share attributable to Liberty Oilfield Services Inc. Stockholders	$ 0.50	$ 1.56
Diluted Net Income Per Share		
Numerator:		
Net income attributable to Liberty Oilfield Services Inc. Stockholders	$ 34,093	$ 107,364
Effect of exchange of the shares of Class B Common stock for shares of Class A Common Stock	23,755	74,242
Diluted net income attributable to Liberty Oilfield Services Inc. Stockholders	$ 57,848	$ 181,606
Denominator:		
Basic weighted average shares outstanding	68,548	68,823
Effect of dilutive securities:		
Restricted stock	933	972
Restricted stock units	782	424
Class B Common Stock	48,207	48,207
Diluted weighted average shares outstanding	118,470	118,426
Diluted net income per share attributable to Liberty Oilfield Services Inc. Stockholders	$ 0.49	$ 1.53

LLC Interest Issuance

Prior to the IPO and Corporate Reorganization, as described in Note 1, Liberty Holdings issued membership interests to investors in exchange for cash consideration. Total member contributions as of December 31, 2017 were $275.7 million , net of commitment and issuance fees. On January 17, 2018, in connection with the Corporate Reorganization, these membership interests were exchanged for Liberty LLC Units. See Note 1 for additional information regarding the Corporate Reorganization.

Unit-Based Compensation

Prior to the IPO and Corporate Reorganization, Liberty Holdings issued Class B units of Liberty Holdings (“Legacy Units”) to certain eligible employees of the Company. The Legacy Units were non-voting, except with respect to such matters that units are entitled to vote as a matter of law. In such cases, each Legacy Unit entitled the holder to 1/1000th of one vote. Certain Legacy Units granted to eligible participants had an assigned benchmark value and were subject to vesting in accordance with the terms of each award letter. Upon termination of the holder’s employment for any reason, Liberty Holdings had the right, but not the obligation, to repurchase from the recipient those vested Legacy Units at fair value.

The Company recognizes compensation expense for equity-based Legacy Units issued to employees based on the grant-date fair value of the awards and each award’s requisite service period. With the assistance from a third-party valuation expert, the Predecessor determined that the Legacy Units issued to employees were deemed 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 as the Legacy Units.

There was no change in the classification of the awards, and the fair value of the awards was the same immediately before and after the exchange. As such, in accordance with ASU 2017-07, modification accounting was not applicable, and the restricted stock awards continue to be recognized at the grant date fair value of the Legacy Units.

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 nine months ended September 30, 2018 :

	Number of Shares	Grant Date Fair Value per Share (1)
Shares of Restricted Stock Issued in Exchange for Legacy Units	1,258,514	—
Vested	(314,462)	—
Forfeited	(21,448)	—
Outstanding at September 30, 2018	922,604	$ —

(1) As discussed above the shares of restricted stock retain the grant date fair value of the Legacy Units.

Long Term Incentive Plan

On January 11, 2018, the Company adopted the Long Term Incentive Plan ("LTIP") to incentivize employees, officers, directors and other service providers of the Company and its affiliates. The LTIP provides for the grant, from time to time, at the discretion of the Company's board of directors or a committee thereof, of stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents, other stock-based awards, cash awards, substitute awards and performance awards. Subject to adjustment in the event of certain transaction or changes of capitalization in accordance with the LTIP, 12,908,734 shares of Class A Common Stock have been reserved for issuance pursuant to awards under the LTIP. Class A Common stock subject to an award that expires or is canceled, forfeited, exchanged, settled in cash or otherwise terminated without delivery of shares and shares withheld to pay the exercise price of, or to satisfy the withholding obligations with respect to, an award will again be available for delivery pursuant to other awards under the LTIP.

Restricted Stock Units

Restricted stock units (RSUs) granted pursuant to the 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 nine months ended September 30, 2018 were as follows:

	Number of Units	Weighted Average Grant Date Fair Value per Unit
Non-vested as of December 31, 2017	—	$ —
Granted	912,876	19.97
Vested	—	—
Forfeited	(6,336)	20.07
Outstanding at September 30, 2018	906,540	$ 19.97

Stock-based compensation is included in cost of services and general and administrative expenses in the Company's condensed consolidated and combined statements of income. The Company recognized stock based compensation expense of $1.9 million and $3.1 million for the three and nine months ended September 30, 2018 . The Company recognized no stock based compensation expense prior to the Corporate Reorganization. There was approximately $15.1 million of unrecognized compensation expense relating to outstanding RSUs as of September 30, 2018 . The unrecognized compensation expense will be recognized on a straight-line basis over the weighted average remaining vesting period of 2.5 years.

Dividends

On August 1, 2018, the Company declared its first quarterly cash dividend of $0.05 per share of Class A Common Stock. Liberty LLC paid a distribution of $5.9 million , or $0.05 per LLC Unit, to all Liberty LLC unitholders as of September 6, 2018, $3.5 million of which was paid to the Company. The Company used the proceeds of the distribution to pay the dividend to all holders of shares of Class A Common Stock as of September 6, 2018, which totaled $3.5 million . Additionally, the Company accrued $0.1 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. During the three months ended September 30, 2018, Liberty LLC purchased and retired 2,843,365 LLC Units from the Company for $53.9 million , and the Company repurchased and retired 2,843,365 shares of Class A Common Stock for $53.9 million , or $18.96 average price per share. The total remaining authorized amount available for future repurchases of Class A Common Stock under the share repurchase program was $46.1 million as of September 30, 2018 . Of the total amount of Class A Common Stock repurchased, 2,491,160 shares were repurchased pursuant to a Stock Purchase and Sale Agreement, dated as of September 14, 2018, by and among the Company, R/C Energy IV Direct Partnership, L.P., R/C IV Liberty Holdings, L.P. and Riverstone/Carlyle Energy Partners IV, L.P. (collectively, the "Riverstone Sellers"). For further details of this related party transaction see Note 11.

The Company accounts for the purchase price of repurchased common shares in excess of par value ($0.01 per share of Class A Common Stock) as a reduction of additional paid-in capital, and will continue to do so until additional paid-in capital is reduced to zero. Thereafter, any excess purchase price will be recorded as a reduction to retained earnings.

Note 9—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. As a result of the IPO and Corporate Reorganization, the Company recorded deferred tax assets and liabilities for the difference between the book value of assets and liabilities for financial reporting purposes and those amounts applicable for income tax purposes. Deferred tax assets have been recorded for tax attributes contributed to the Company as part of the Corporate Reorganization. Deferred tax liabilities of $28.6 million have been recorded in connection with the Liberty LLC Units acquired through reorganization. The initial deferred tax liability is recorded as a long term liability and additional paid in capital on the condensed consolidated balance sheet as of September 30, 2018 .

The effective combined U.S. federal and state income tax rate applicable to the Company for the period commencing on January 17, 2018, the date of the Corporate Reorganization, through September 30, 2018 was 14.4% . The Company's effective tax rate is significantly less than the statutory federal tax rate of 21.0% primarily due to the shortened taxable period, as the Company was a pass-through entity prior to the IPO, and 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 recognized income tax expense of $36.2 million for the period commencing on January 17, 2018, the date of the Corporate Reorganization, through September 30, 2018 , and $12.2 million during the three months ended September 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 the R/C Energy IV Direct Partnership, L.P. and the Legacy 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 the Redemption Right or the Company's Call Right, (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.

The term of each TRA commenced on January 17, 2018, and will continue until all such tax benefits that are subject to such TRA have been utilized or expired, unless the Company experiences a change of control (as defined in the TRAs, which includes certain mergers, asset sales and other forms of business combinations) or the TRAs are terminated early (at the Company's election or as a result of its breach), and the Company makes the termination payments specified in such TRA.

The amounts payable, as well as the timing of any payments, under the TRAs are dependent upon significant future events and assumptions, including the timing of the redemptions of Liberty LLC Units, the price of our Class A Common Stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming unit holder's tax basis in its Liberty LLC Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis, the amount of net operating losses available to the Company as a result of the Corporate Reorganization, the amount and timing of taxable income the Company generates in the future, the U.S. federal income tax rate then applicable, and the portion of the Company's payments under the TRAs that constitute imputed interest or give rise to depreciable or amortizable tax basis. As of September 30, 2018 , there have been no payments associated with the TRA.

Prior to the Corporate Reorganization, one of the Legacy Owners contributed a portion of its member interest in Liberty Holdings to R/C IV Non-U.S. LOS Corp ("R/C IV"). Subsequently, in conjunction with the Corporate Reorganization, R/C IV was contributed to Liberty LLC. R/C IV had net operating loss carryforwards totaling $10.9 million for federal income tax purposes and $10.9 million for certain state income tax purposes. As a result of the Company being in a net income position and the expected utilization of deferred tax assets, the tax attributes contributed to the Company included a deferred tax asset of $2.6 million . As of September 30, 2018 , the Company recognized a $2.3 million payable pursuant to the TRAs, or 85% of the deferred tax asset that is expected to be realized.

Note 10—Defined Contribution Plan

The Company sponsors a 401(k) defined contribution retirement plan covering eligible employees. The Company makes matching contributions, which were temporarily suspended in May 2015, but were resumed in April 2017 at a rate of $1.00 for each $1.00 of employee contribution, subject to a cap of 3% of the employee's salary. In October 2017, the cap on these contributions was increased to 6% of the employee's base salary. Contributions made by the Company were $10.3 million and $2.4 million for the nine months ended September 30, 2018 and 2017 , respectively, and $3.6 million and $1.2 million for the three months ended September 30, 2018 and 2017 , respectively.

Note 11—Related Party Transactions

During September 2018, the Company repurchased 2,491,160 shares of Class A Common Stock from the Riverstone Sellers, at a weighted average purchase price of $18.96 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 (see Note 1) including entering into two tax receivable agreements with affiliates (see Note 9). Also in conjunction with the Corporate Reorganization, Liberty Holdings contributed $2.1 million of assets to Liberty LLC, Redeemable Common Units in the amount of $42.6 million were settled (see Note 6) and $2.0 million of accrued advisory fees due to Riverstone/Carlyle Energy Partners IV, L.P. ("Riverstone") 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 amounts incurred under the Services Agreement by LOS during the three and nine months ended September 30, 2018 , were $0 and $0.2 million , respectively, and $0 during the three and nine months ended September 30, 2017 . There was $0 payable as of September 30, 2018 and December 31, 2017 . During June 2018, the Services Agreement was terminated.

The amounts of the Company's revenue related to hydraulic fracturing services provided to the Affiliate for the three months ended September 30, 2018 and 2017 , was $6.3 and $5.5 million , respectively, and $10.3 million and $20.7 million for the nine months ended September 30, 2018 and 2017 , respectively. As of September 30, 2018 and December 31, 2017 , $4.2 million and $4.0 million , respectively, of the Company's accounts receivable, and $0 and $0.1 million , respectively, of the Company's unbilled revenue was with the Affiliate.

The Company had an advisory agreement dated December 30, 2011 in which Riverstone was to provide certain administrative advisory services. The service fees incurred during the three months ended September 30, 2018 and 2017 were $0 and $0.3 million , respectively, and $0 and $1.3 million for the nine months ended September 30, 2018 and 2017 , respectively. Fees accrued as of September 30, 2018 and December 31, 2017 were $0 and $2.0 million , respectively. The amount accrued as of December 31, 2017 was settled and the agreement was terminated in connection with the IPO.

During 2016 , Liberty Holdings entered into a future commitment to invest and become a noncontrolling minority member in Proppant Express Investments, LLC ("PropX Investments"), the owner of Proppant Express Solutions, LLC ("PropX"), a provider of proppant logistics equipment. LOS is party to a services agreement (the "PropX Services Agreement") whereby LOS is to provide certain administrative support functions to PropX, and LOS is to purchase and lease proppant logistics equipment from PropX. For the three months ended September 30, 2018 and 2017 , the Company purchased proppant logistics equipment of $0.7 million and $1.9 million , respectively, and leased proppant logistics equipment for $0.7 million and $1.1 million , respectively. For the nine months ended September 30, 2018 and 2017 , the Company made purchases of $2.8 million and $7.7 million , respectively and lease payments of $3.4 million and $2.5 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 , of which $1.6 million and $3.8 million was recognized as expense to costs of goods sold during the three and nine months ended September 30, 2018 and $1.6 million remains outstanding as of September 30, 2018 , which is reflected in prepaids and other current assets. Receivables from PropX as of September 30, 2018 and December 31, 2017 were $0 . Payables to PropX as of September 30, 2018 and December 31, 2017 were $0.3 million and $0.7 million , respectively.

Note 12—Commitments & Contingencies

Operating Leases

The Company leases office space, facilities, equipment, railcars, and vehicles under non-cancelable operating leases. Rent expense for the three months ended September 30, 2018 and 2017 , was $11.7 million and $5.8 million , respectively, and $29.0 million and $15.3 million for the nine months ended September 30, 2018 and 2017 , respectively.

Future minimum lease payments are as follows:

($ in thousands)	
Year Ending September 30,	
2019	$ 44,481
2020	38,515
2021	35,888
2022	10,521
2023	4,444
Thereafter	20,796
	$ 154,645

Purchase Commitments (tons, per ton, gallons, per gallon and per rail car prices are not in thousands)

The Company enters into purchase and supply agreements to secure supply and pricing of proppants and chemicals. As of September 30, 2018 and December 31, 2017 , the agreements commit the Company to purchase 11,362,000 and 10,108,000 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 September 30, 2018 .

As of September 30, 2018 , the Company has commitments to purchase 23,565,000 gallons of chemicals through December 31, 2020.

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

($ in thousands)		
Years ended September 30,		
2019	$	294,009
2020		244,910
2021		102,838
2022		8,077
2023		—
	$	649,834

Litigation

From time to time, the Company is subject to legal and administrative proceedings, settlements, investigations, claims and actions. The Company's assessment of the likely outcome of litigation matters is based on its judgment of a number of factors including experience with similar matters, past history, precedents, relevant financial and other evidence and facts specific to the matter. Notwithstanding the uncertainty as to the final outcome, based upon the information currently available, management does not believe any matters in aggregate will have a material adverse effect on its financial position or results of operations.

On February 23, 2017, SandBox Logistics, LLC and Oren Technologies, LLC (collectively, "SandBox") filed suit in the Houston Division of the U.S. District Court for the Southern District of Texas against PropX Investments, PropX and LOS. As described in Note 11, LOS is party to the PropX Services Agreement. SandBox alleges that LOS willfully infringes multiple U.S. patents and has breached an agreement between SandBox and LOS by "directing, controlling, and funding" inter partes review ("IPR") requests before the U.S. Patent and Trademark Office ("USPTO"). In July 2018, SandBox requested permission from the court to allege additional breach of contract claims against LOS, including alleged breaches of a confidentiality agreement and an exclusive purchasing covenant. The court denied these requests in September 2018. SandBox seeks both monetary and injunctive relief from the court, as well as attorney's fees and costs. LOS intends to vigorously defend against the claims brought by SandBox. The Company cannot predict with any degree of certainty the outcome of the suit.

Note 13—Subsequent Events

On October 4, 2018, certain Liberty LLC Unit holders exercised their Redemption Rights and exchanged 3.0 million shares of Class B Common Stock for 3.0 million 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 tax receivable agreement.

On October 23, 2018, 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 December 20, 2018 to holders of record as of December 6, 2018. The Company will use the proceeds from the Liberty LLC distribution to pay the dividend.

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 22 active fleets in November 2018. The demand for our hydraulic fracturing services exceeds our current capacity, and we expect, based on discussions with customers, to deploy two additional fleets during the first half of 2019, for a total of 24 active fleets, representing approximately 1,170,000 hydraulic horsepower, including additional supporting horsepower. We added three fleets during the nine months ended September 30, 2018 to bring our total active fleets to 22 as of September 30, 2018. Average active fleets during the nine months ended September 30, 2018 and 2017 was 21.1 and 14.2 , respectively, and 22.0 and 16.7 during the three months ended September 30, 2018 and 2017 , respectively. Average active fleets is calculated as our daily average of active fleets for the relevant period. Our additional fleets are currently being built to our specifications. 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) our hydraulic fracturing fluid system tailored to the reservoir properties in the DJ Basin which materially reduces completion costs without compromising production. 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 third quarter of 2018, the price of West Texas Intermediate crude oil averaged $69.76 compared with an average of $68.02 for the second quarter of 2018 and an average of $48.15 for the third quarter of 2017. This has led to an increase in our customer activity levels, which is commonly measured by the active rig count. In the third quarter of 2018, the horizontal rig count in North America averaged 922 compared to 911 in the second quarter of 2018 and 799 for the third quarter of 2017, according to a report by Baker Hughes, a GE company.

Although there is uncertainty in the market about the potential effect of Permian Basin takeaway constraints, markets outside the Permian Basin remain constructive. Based on these market conditions, the diversity of Liberty's operating footprint, conversations with our customers and other factors, we expect demand for frac services to remain stable for the remainder of the year, especially for our high-efficiency frac fleets.

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 (Loss);
- Net Income;
- Net Income per Share;
- EBITDA;
- Adjusted EBITDA; and
- Annualized Adjusted EBITDA per Average Active Fleet.

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 (Loss)

We analyze our operating income (loss), 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, Adjusted EBITDA and Annualized Adjusted EBITDA per Average Active Fleet

We view EBITDA, Adjusted EBITDA and Annualized Adjusted EBITDA per Average Active Fleet as important indicators of performance. We define EBITDA as net income (loss) 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. Average Active Fleets is calculated as the daily average of the number of active fleets for the period presented. Annualized Adjusted EBITDA per Average Active Fleet is calculated as Adjusted EBITDA annualized, divided by the Average Active Fleets for the same period. See "—Comparison of Non-GAAP Financial Measures" for more information and a reconciliation of EBITDA and Adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP.

Results of Operations

Three months ended September 30, 2018 , compared to three months ended September 30, 2017

Description	Three months ended September 30,		
	2018	2017	Change
	(in thousands)		
Revenue	$ 558,777	$ 441,853	$ 116,924
Cost of services, excluding depreciation and amortization shown separately	418,867	328,434	90,433
General and administrative expenses	24,659	22,245	2,414
Depreciation and amortization	32,305	24,164	8,141
Loss (gain) on disposal of assets	701	21	680
Operating income	82,245	66,989	15,256
Interest expense	(3,648)	(3,326)	(322)
Net income before income taxes	78,597	63,663	14,934
Income tax expense	12,229	—	12,229
Net income	66,368	63,663	2,705
Less: Net income attributable to Liberty LLC, prior to the Corporate Reorganization	—	63,663	(63,663)
Less: Net income attributable to noncontrolling interest	32,275	—	32,275
Net income attributable to Liberty Oilfield Services Inc. stockholders	$ 34,093	$ —	$ 34,093

Revenue

Our revenue increased $116.9 million , or 26.5% , to $558.8 million for the three months ended September 30, 2018 compared to $441.9 million for three months ended September 30, 2017 . The increase was due to a 31.7% increase in average active fleets deployed offset by a 4.0% decrease in revenue per average active fleet. Our revenue per average active fleet decreased to approximately $25.4 million for the three months ended September 30, 2018 as compared to approximately $26.5 million for the three months ended September 30, 2017 , based on 22.0 and 16.7 average active fleets deployed during those respective periods. The decrease in revenue per average active fleet was due to a decrease in the total number of hours pumped by each fleet.

Cost of Services

Cost of services (excluding depreciation and amortization) increased $90.4 million , or 27.5% , to $418.9 million for the three months ended September 30, 2018 compared to $328.4 million for the three months ended September 30, 2017 . The higher expense is due to an increase in services provided and reflects a $39.8 million increase attributable to materials, which was driven by a 16.2% increase in material volumes in the three months ended September 30, 2018 compared to the same period in 2017 . Personnel costs increased by $18.2 million, or 28.8%, to support the increased activity, including a 31.7% increase in average active fleets deployed. Additionally, the cost of components used in our repairs and maintenance operations increased by $24.9 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 .

General and Administrative Expenses

General and administrative expenses increased by $2.4 million , or 10.9% , to $24.7 million for the three months ended September 30, 2018 compared to $22.2 million for the three months ended September 30, 2017 . The increase is primarily due to a $1.9 million increase in professional services, including accounting and legal related to the additional costs of being a public company. In addition, non-cash stock based compensation expense of $1.6 million was recognized during the three months ended September 30, 2018 compared to $0 during the same period in the prior year.

Depreciation and Amortization

Depreciation and amortization expense increased $8.1 million , or 33.7% , to $32.3 million for the three months ended September 30, 2018 compared to $24.2 million for the three months ended September 30, 2017 , due to five additional hydraulic fracturing fleets deployed during the twelve months ended September 30, 2018 .

Operating Income

We realized operating income of $82.2 million for the three months ended September 30, 2018 compared to $67.0 million for the three months ended September 30, 2017 , an increase of 22.8% , primarily due to a 31.7% increase in average active fleets deployed, partially offset by a 4.0% decrease in revenue per average active fleet.

Interest Expense

The increase in interest expense of $0.3 million , or 9.7% , during the three months ended September 30, 2018 compared to the three months ended September 30, 2017 was primarily due to an increase in the weighted average interest rate of debt to 9.8% as of September 30, 2018 compared to 7.5% as of September 30, 2017 offset by a decrease in debt issuance and original issue discount amortization expense due to $1.2 million of deferred financing costs written off in September 2017 in connection with debt refinancing.

Net Income before Tax Expense

We realized net income before tax expense of $78.6 million for the three months ended September 30, 2018 compared to $63.7 million for the three months ended September 30, 2017 . The increase in net income before tax expense is primarily attributable to our expanded scope of operations following the deployment of five additional hydraulic fracturing fleets during the twelve months ended September 30, 2018 .

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 23.4%, while no tax is provided for the results attributable to the noncontrolling interests which remains pass through income. We recognized $12.2 million of expense for the three months ended September 30, 2018 , an effective rate of 15.6%, compared to $0 recognized during the three months ended September 30, 2017 . This increase was attributable to our status as a corporation subject to U.S. federal income tax as well as a net increase in operating income, the components of which are discussed above.

Nine months ended September 30, 2018 , compared to nine months ended September 30, 2017

	Nine months ended September 30,		
Description	**2018**	**2017**	**Change**
		(in thousands)	
Revenue	$ 1,682,021	$ 1,040,972	$ 641,049
Cost of services, excluding depreciation and amortization shown separately	1,251,163	807,693	443,470
General and administrative expenses	73,648	59,351	14,297
Depreciation and amortization	90,927	55,831	35,096
Loss (gain) on disposal of assets	1,266	(12)	1,278
Operating income	265,017	118,109	146,908
Interest expense	(13,682)	(7,289)	(6,393)
Net income before income taxes	251,335	110,820	140,515
Income tax expense	36,238	—	36,238
Net income	215,097	110,820	104,277
Less: Net income attributable to Liberty LLC, prior to the Corporate Reorganization	8,705	110,820	(102,115)
Less: Net income attributable to noncontrolling interest	99,028	—	99,028
Net income attributable to Liberty Oilfield Services Inc. stockholders	$ 107,364	$ —	$ 107,364

Revenue

Our revenue increased $641.0 million , or 61.6% , to $1,682.0 million for the nine months ended September 30, 2018 compared to $1,041.0 million for nine months ended September 30, 2017 . The increase was due to the combined effect of a 48.6% increase in average active fleets deployed and an 8.7% increase in revenue per average active fleet. Our revenue per average active fleet increased to approximately $79.7 million for the nine months ended September 30, 2018 as compared to approximately $73.3 million for the nine months ended September 30, 2017 , based on 21.1 and 14.2 average active fleets deployed during those respective periods. The increase in revenue per active fleet was due to improved pricing and throughput in conjunction with increased demand for our services.

Cost of Services

Cost of services (excluding depreciation and amortization) increased $443.5 million , or 54.9% , to $1,251.2 million for the nine months ended September 30, 2018 compared to $807.7 million for the nine months ended September 30, 2017 . The higher expense is due to an increase in services provided and reflects a $277.6 million increase attributable to materials, which was driven by a 41.7% increase in material volumes in the nine months ended September 30, 2018 compared to the same period in 2017 . Personnel costs increased by $75.8 million, or 48.1%, to support the increased activity, including a 48.6% increase in average active fleets deployed. Additionally, the cost of components used in our repairs and maintenance operations increased by $61.1 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 .

General and Administrative Expenses

General and administrative expenses increased by $14.3 million , or 24.1% , to $73.6 million for the nine months ended September 30, 2018 compared to $59.4 million for the nine months ended September 30, 2017 . Payroll and benefits increased approximately $4.0 million in connection with the increase in headcount to support our expanded scope of operations and the five fleets deployed during the twelve months ended September 30, 2018 . The Company also recognized a $3.8 million increase in professional services, including accounting and legal related to the additional costs of being a public company. Facilities, travel, and licensing fees increased $2.4 million, $2.0 million, and $1.0 million, respectively related to the expanded scope of operations to support five additional fleets deployed in the 12 months ended September 30, 2018 . In addition, non-cash stock based compensation expense of $2.7 million was recognized during the nine months ended September 30, 2018 compared to $0 during the same period in the prior year.

Depreciation and Amortization

Depreciation and amortization expense increased $35.1 million , or 62.9% , to $90.9 million for the nine months ended September 30, 2018 compared to $55.8 million for the nine months ended September 30, 2017 , due to five additional hydraulic fracturing fleets deployed during the twelve months ended September 30, 2018 .

Operating Income

We realized operating income of $265.0 million for the nine months ended September 30, 2018 compared to $118.1 million for the nine months ended September 30, 2017 , an increase of 124.4% , primarily due to a 48.6% increase in average active fleets deployed and a 8.7% increase in revenue per average active fleet in response to increased demand for our services described above.

Interest Expense

The increase in interest expense of $6.4 million , or 87.7% , during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 was primarily due to $1.7 million of deferred financing costs written off in connection with the pay down of 35% of the term loan and $0.9 million prepayment penalty assessed in connection with the pay down, compared to $1.2 million of deferred financing costs written off in September 2017 in connection with debt refinancing, and a $5.7 million increase in interest expense due to higher weighted average interest rate on borrowings outstanding during the nine months ended September 30, 2018 compared to the same period in 2017 .

Net Income before Tax Expense

We realized net income before tax expense of $251.3 million for the nine months ended September 30, 2018 compared to $110.8 million for the nine months ended September 30, 2017 . The increase in net income before tax expense is primarily attributable to our expanded scope of operations following the deployment of five additional hydraulic fracturing fleets during the twelve months ended September 30, 2018 .

Income Tax Expense

As a pass-through entity prior to the IPO, our 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 23.4%, while no tax is provided for the results attributable to the noncontrolling interests which remains pass through income. We recognized $36.2 million of expense for the period commencing on January 17, 2018 through September 30, 2018 , an effective rate of 14.4%, compared to $0 recognized during the nine months ended September 30, 2017 . This increase was attributable to our status as a corporation subject to U.S. federal income tax as well as a net increase 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 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.

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 and other provisions of our Credit Facilities. See "—Debt Agreements."

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 (loss) 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, Adjusted EBITDA and annualized Adjusted EBITDA per Average Active Fleet

	Three Months Ended September 30,			Nine Months Ended September 30,		
Description	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
			(in thousands)			
Net income	$ 66,368	$ 63,663	$ 2,705	$ 215,097	$ 110,820	$ 104,277
Depreciation and amortization	32,305	24,164	8,141	90,927	55,831	35,096
Interest expense	3,648	3,326	322	13,682	7,289	6,393
Income tax expense	12,229	—	12,229	36,238	—	36,238
EBITDA	$ 114,550	$ 91,153	$ 23,397	$ 355,944	$ 173,940	$ 182,004
Fleet start-up costs	2,235	1,895	340	8,842	10,784	(1,942)
Asset acquisition costs	—	426	(426)	—	2,968	(2,968)
Loss (gain) on disposal of assets	701	21	680	1,266	(12)	1,278
Advisory services fees	—	250	(250)	202	1,295	(1,093)
Adjusted EBITDA	$ 117,486	$ 93,745	$ 23,741	$ 366,254	$ 188,975	$ 177,279

EBITDA was $114.6 million for the three months ended September 30, 2018 compared to $91.2 million for the three months ended September 30, 2017 . Adjusted EBITDA was $117.5 million for the three months ended September 30, 2018 compared to $93.7 million for the three months ended September 30, 2017 . Annualized Adjusted EBITDA per Average Active Fleet was $21.2 million for the three months ended September 30, 2018 compared to $22.3 million for the three months ended September 30, 2017 . The increases in EBITDA and Adjusted EBITDA resulted from the increased revenue and other factors described above under the captions *Revenue* , *Cost of Services* and *General and Administrative Expenses* above.

EBITDA was $355.9 million for the nine months ended September 30, 2018 compared to $173.9 million for the nine months ended September 30, 2017 . Adjusted EBITDA was $366.3 million for the nine months ended September 30, 2018 compared to $189.0 million for the nine months ended September 30, 2017 . Annualized Adjusted EBITDA per Average Active Fleet was $23.2 million for the nine months ended September 30, 2018 compared to $17.8 million for the nine months ended September 30, 2017 . The increases in EBITDA and Adjusted EBITDA resulted from the increased revenue and other factors described above under the captions *Revenue* , *Cost of Services* and *General and Administrative Expenses* above.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity to date have been cash flows from operations, capital contributions from our owners, borrowings under our Credit Facilities and net proceeds from our IPO. We expect to fund operations and organic growth with cash flows from operations and availability under our ABL Facility.

Cash and cash equivalents increased by $70.8 million to $87.1 million as of September 30, 2018 compared to $16.3 million as of December 31, 2017 , primarily attributable to net proceeds from the IPO. Going forward, we intend to finance the majority of our capital expenditures, contractual obligations and working capital needs with proceeds from the IPO and operating cash flows. 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:

	Nine Months Ended September 30,		
Description	**2018**	**2017**	**Change**
	(in thousands)		
Net cash provided by operating activities	$ 223,627	$ 115,107	$ 108,520
Net cash used in investing activities	(183,941)	(251,297)	67,356
Net cash provided by financing activities	31,070	145,851	(114,781)
Net increase in cash and cash equivalents	$ 70,756	$ 9,661	$ 61,095

Analysis of Cash Flow Changes Between the Nine Months Ended September 30, 2018 and 2017

Operating Activities . Net cash provided by operating activities was $223.6 million for the nine months ended September 30, 2018 , compared to $115.1 million for the nine months ended September 30, 2017 . The $108.5 million increase in cash from operating activities was attributable to a $641.0 million increase in revenues, offset by a $457.8 million increase in cash based operating expenses as well as an increase in funds used to satisfy working capital obligations.

Investing Activities . Net cash used in investing activities was $183.9 million for the nine months ended September 30, 2018 , compared to $251.3 million for the nine months ended September 30, 2017 . Capital expenditures, including amounts in Accounts Payable and Accrued Liabilities, were $184.5 million for the nine months ended September 30, 2018 compared to $240.5 million for the nine months end September 30, 2017 . The $67.4 million decrease in net cash used in investing activities was primarily due to the acquisition of Titan Frac Services LLC and other Texas real estate properties during the nine months ended September 30, 2017 .

Financing Activities . Net cash provided by financing activities was $31.1 million for the nine months ended September 30, 2018 , compared to $145.9 million for the nine months ended September 30, 2017 . The $114.8 million decrease in cash provided by financing activities was primarily due to net repayment on debt of $92.0 million, repurchase of shares for $53.9 million , distributions to noncontrolling interest holders of $17.4 million, and dividend and distributions paid of $5.9 million during the nine months ended September 30, 2018 compared to net borrowings of $181.1 million and net payments of$23.0 million from the issuance and redemption of redeemable common units during the nine months ended September 30, 2017, offset by $198.4 million in net proceeds from the IPO.

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 September 30, 2018 , the borrowing base was calculated to be $250.0 million with no amounts drawn and an outstanding letter of credit for $0.3 million , leaving $249.7 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 ABL Facility is not subject to financial covenants unless liquidity, as defined in the ABL Facility credit agreement, 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 ABL Facility credit agreement, 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. The Company was in compliance with these covenants as of September 30, 2018 .

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. As a result of the IPO and Corporate Reorganization, the Company recorded deferred tax assets and liabilities for the difference between the book value of assets and liabilities for financial reporting purposes and those amounts applicable for income tax purposes. Deferred tax assets have been recorded for tax attributes contributed to the Company as part of the reorganization. Deferred tax liabilities of $28.6 million have been recorded in connection with the Liberty LLC Units acquired through the Corporate Reorganization.

The effective combined U.S. federal and state income tax rate applicable to the Company for the nine months ended September 30, 2018 was 14.4% . The Company's effective tax rate is significantly less than the federal statutory 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 recognized income tax expense of $36.2 million for the nine months ended September 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 Holder's Liberty LLC Units in connection with the IPO or pursuant to the exercise of the Redemption Right or the Company's Call Right, (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, Contingent Consideration.

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 Tax Receivable Agreements.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared in accordance with U.S. GAAP, which require us to make estimates and assumptions (see Note 1 to the 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, 2017, our critical accounting policies included 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, 2018, the Company adopted Accounting Standard Codification Topic 606- *Revenue from Contracts with Customers,* and additionally, as of the September 30, 2018 reporting period, the Company adopted the Financial Accounting Standards Board Accounting Standards Update No. 2018-15- *Intangibles-Goodwill and Other-Internal-Use Software* (Subtopic 350-40) (see Note 1 to the condensed consolidated and combined financial statements included in this Form 10-Q). There have been no other changes in our evaluation of our critical accounting policies since December 31, 2017.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements as of September 30, 2018 , except for the operating leases and purchase commitments under supply agreements as disclosed above under “Item 1. Financial Statements—Note 12—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

At September 30, 2018 , we had $112.6 million of debt outstanding, with a weighted average interest rate of 9.8% . Interest is calculated under the terms of our Credit Facilities based on our selection, from time to time, of one of the index rates available to us plus an applicable margin that varies based on certain factors. Assuming no change in the amount outstanding, the impact on interest expense of a 1% increase or decrease in the weighted average interest rate would be approximately $1.1 million per year. We do not currently have or intend to enter into any derivative arrangements to protect against fluctuations in interest rates applicable to our outstanding indebtedness.

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 September 30, 2018 . 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 September 30, 2018 , 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 three months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceeding

On February 23, 2017, SandBox filed suit in the Houston Division of the U.S. District Court for the Southern District of Texas against Proppant Express Investments, LLC, PropX, and LOS. LOS is party to a services agreement with PropX. SandBox alleges that LOS willfully infringes multiple U.S. patents and has breached an agreement between SandBox and LOS by "directing, controlling, and funding" IPR requests before the USPTO. In July 2018, SandBox requested permission from the court to allege additional breach of contract claims against LOS, including alleged breaches of a confidentiality agreement and an exclusive purchasing covenant. The court denied these requests in September 2018. SandBox seeks both monetary and injunctive relief from the court, as well as attorney's fees and costs. We intend to vigorously defend ourselves against the claims brought by SandBox. The Company cannot predict with any degree of certainty the outcome of the suit.

We are named defendants in certain lawsuits, investigations and claims arising in the ordinary course of conducting our business, including certain environmental claims and employee-related matters, and we expect that we will be named defendants in similar lawsuits, investigations and claims in the future. While the outcome of these lawsuits, investigations and claims cannot be predicted with certainty, we do not expect these matters to have a material adverse impact on our business, results of operations, cash flows or financial condition. We have not assumed any liabilities arising out of these existing lawsuits, investigations and claims.

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.

The risk factor below is an addition to the risk factors set forth in the Annual Report. As of September 30, 2018, there have been no other material changes to the risk factors in the Annual Report.

Colorado Proposition 112, if approved by voters in November 2018, would likely have a material adverse impact on new oil and gas development in the state and materially reduce the demand for our hydraulic fracturing services in the state.

The Colorado Secretary of State has approved an initiative, referred to as Proposition 112, for inclusion on the statewide voter ballot in November 2018. Proposition 112 seeks to amend the Colorado Revised Statutes to increase oil and gas facility setback distances by requiring that all new oil and gas development on non-federal lands be located at least 2,500 feet away from certain occupied structures, including homes, schools and hospitals, and certain defined "vulnerable areas," including playgrounds, permanent sports fields, public parks and open spaces, public drinking water sources, reservoirs, lakes, rivers, perennial and intermittent streams, and creeks. In contrast, the Colorado Revised Statutes currently require that oil and gas development on non-federal lands be located at least 500 feet away from homes and 1,000 feet away from schools. The term "oil and gas development" is broadly defined under Proposition 112 to include certain oil and gas exploration, drilling, production and processing activities, including the hydraulic fracturing services we provide to our oil and gas customers in the state. Under Proposition 112, state and local governments would be allowed to designate vulnerable areas beyond what is currently covered under the initiative, but the proposal provides no additional guidance on procedures or any limitations with respect to such designations. Proposition 112 would take effect upon official certification of election results, is self-executing, and will apply to new oil and gas development that is "permitted" on or after the date of certification.

The Colorado Oil and Gas Conservation Commission ("COGCC") conducted a study in 2018 and determined that, if Proposition 112 were approved by state voters, an estimated 54% of Colorado's total land surface would be unavailable for new oil and gas development, with that estimate increasing to 85% if only non-federal lands are considered. Focusing on Weld County, the 2018 COGCC study determined that approval and adoption of Proposition 112 would remove from production approximately 78% and 85% of the respective total land surface and non-federal land surface available in the county. In the event that Colorado voters approve Proposition 112 in November 2018, then our customers in the state, from whom we currently derive a significant portion of our consolidated revenue, may experience material curtailment in the permitting of new exploration, development, or production activities. Any such curtailment would likely materially reduce the demand for our hydraulic fracturing services in the state and could have a material adverse effect on our business and results of operations.

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

Share Repurchase Program

The following sets forth information with respect to our repurchases of shares of Class A Common Stock during the three months ended September 30, 2018.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Approximate dollar value of shares that may yet be purchased under the plans or programs
July 2018	—	$ —	—	$ —
August 2018	—	—	—	—
September 2018	2,843,365	18.96	2,843,365	46,084,652
Total	2,843,365	$ 18.96	2,843,365	$ 46,084,652

(1) On September 10, 2018, the Company's board of directors authorized a share repurchase plan to repurchase up to $100 million of the Company's Class A Common Stock. This repurchase plan permits the Company to repurchase its common stock in the open market or through privately negotiated transactions. This plan expires on September 30, 2019.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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)
10.1	Liberty Oilfield Services 401(k) Savings Plan (3)
10.2	Stock Purchase and Sale Agreement, dated as of September 14, 2018, by and among Liberty Oilfield Services Inc., R/C Energy IV Direct Partnership, L.P., R/C IV Liberty Holdings, L.P. and Riverstone/Carlyle Energy Partners IV, L.P. (4)
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 Registration Statement on Form S-8, filed on June 28, 2018.

(4) Incorporated by reference to the registrant's Current Report on Form 8-K, filed on September 17, 2018.

* Filed herewith.

** Furnished herewith.

† Denotes a management contract or compensatory plan or arrangement.

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
			/s/ Christopher A. Wright
Date:	November 1, 2018	By:	Christopher A. Wright
			Chief Executive Officer (Principal Executive Officer)
			/s/ Michael Stock
Date:	November 1, 2018	By:	Michael Stock
			Chief Financial Officer (Principal Financial Officer)
			/s/ Ryan T. Gosney
Date:	November 1, 2018	By:	Ryan T. Gosney
			Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Christopher A. Wright, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Liberty Oilfield Services Inc. (the “registrant”);

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)) 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) 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

(c) 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: November 1, 2018

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

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Michael Stock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Liberty Oilfield Services Inc. (the "registrant");

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)) 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) 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

(c) 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: November 1, 2018

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 September 30, 2018 (" *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: November 1, 2018

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 September 30, 2018 (" *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: November 1, 2018

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