

StoneMor Partners L.P.

2016 Investor Day – The London NYC Hotel
December 14, 2016



Forward Looking Statements

This presentation contains forward-looking statements that involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. The Partnership cautions readers that any forward-looking information is not a guarantee of future performance. Such forward-looking statements include, but are not limited to, statements about future financial and operating results, the Partnership's plans, objectives, expectations and intentions and other statements that are not historical facts. Risks, assumptions and uncertainties that could cause actual results to materially differ from the forward-looking statements include, but are not limited to, those associated with the cash flow from our pre-need and at-need sales, our trusts, and financings, which may impact our ability to meet our financial projections, our ability to service our debt and pay distributions, and our ability to increase our distributions; future revenue and revenue growth; the integration or anticipated benefits of our recent acquisitions or any future acquisitions; our ability to complete and fund additional acquisitions; the effect of economic downturns; the impact of our leverage on our operating plans; the decline in the fair value of certain equity and debt securities held in our trusts; our ability to attract, train and retain an adequate number of sales people; the volume and timing of pre-need sales of cemetery services and products; increased use of cremation; changes in the death rate; changes in the political or regulatory environments, including potential changes in tax accounting and trusting policies; litigation or legal proceedings that could expose us to significant liabilities and damage our reputation; the effects of cyber security attacks due to our significant reliance on information technology; the financial condition of third-party insurance companies that fund our pre-need funeral contracts; and other risks, assumptions and uncertainties detailed from time to time in the Partnership's reports filed with the U.S. Securities and Exchange Commission, including quarterly reports on Form 10-Q, reports on Form 8-K and annual reports on Form 10-K. Forward-looking statements speak only as of the date hereof, and the Partnership assumes no obligation to update such statements, except as may be required by applicable law.

Today's Agenda

Topic	Speaker
Introduction & History	Bob Hellman, Chairman of the GP
Deathcare Industry Trends	Larry Miller, CEO
How StoneMor Makes Money	Sean McGrath, CFO
What Went Wrong?	Bob Hellman, Chairman of the GP
Action Plans	Larry Miller, CEO
Next Steps / Progress Visibility	Bob Hellman, Chairman of the GP
Q&A	

Answers First...

- StoneMor has been operating for over a dozen years as a master limited partnership, pursuing one consistent strategy and operational model
- Distribution cut driven by self-induced operating challenges which manifested over the past few quarters
- Not an industry problem – industry has terrific tailwinds
- Not a business model problem
- Operating challenges are known, solutions identified and progress underway
- As progress manifests itself in increase cash flow, we expect that distributions will be increased over the next 12-24 months

Discussion Topics

Topics This Presentation Will Address

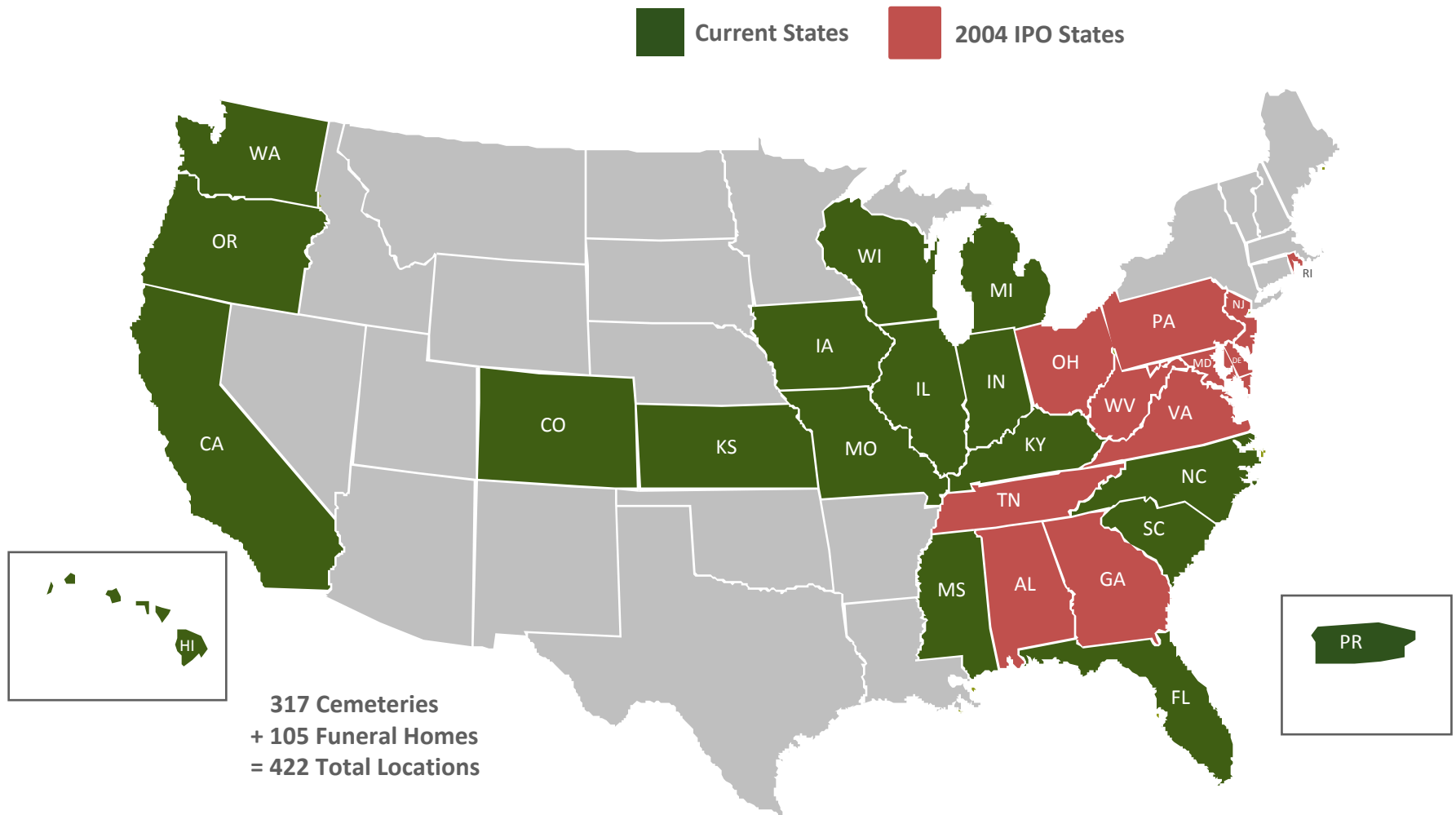
- StoneMor history
- Deathcare industry trends
- How StoneMor makes money
- What went wrong?
- Sustainability of current distribution
- Action plans
- Next steps / progress visibility

Who We Are

Second Largest Owner And Operator Of Cemeteries In The U.S.

- 317 cemeteries / 105 funeral homes across 28 states and Puerto Rico
- Complete range of funeral merchandise and services, sold both at the time of need and on a pre-need basis
- \$840 million of trust investments
- ~53,500 burials / 16,800 funeral service calls performed in the last twelve months
- Structured as a master limited partnership (MLP) to optimize tax efficiency

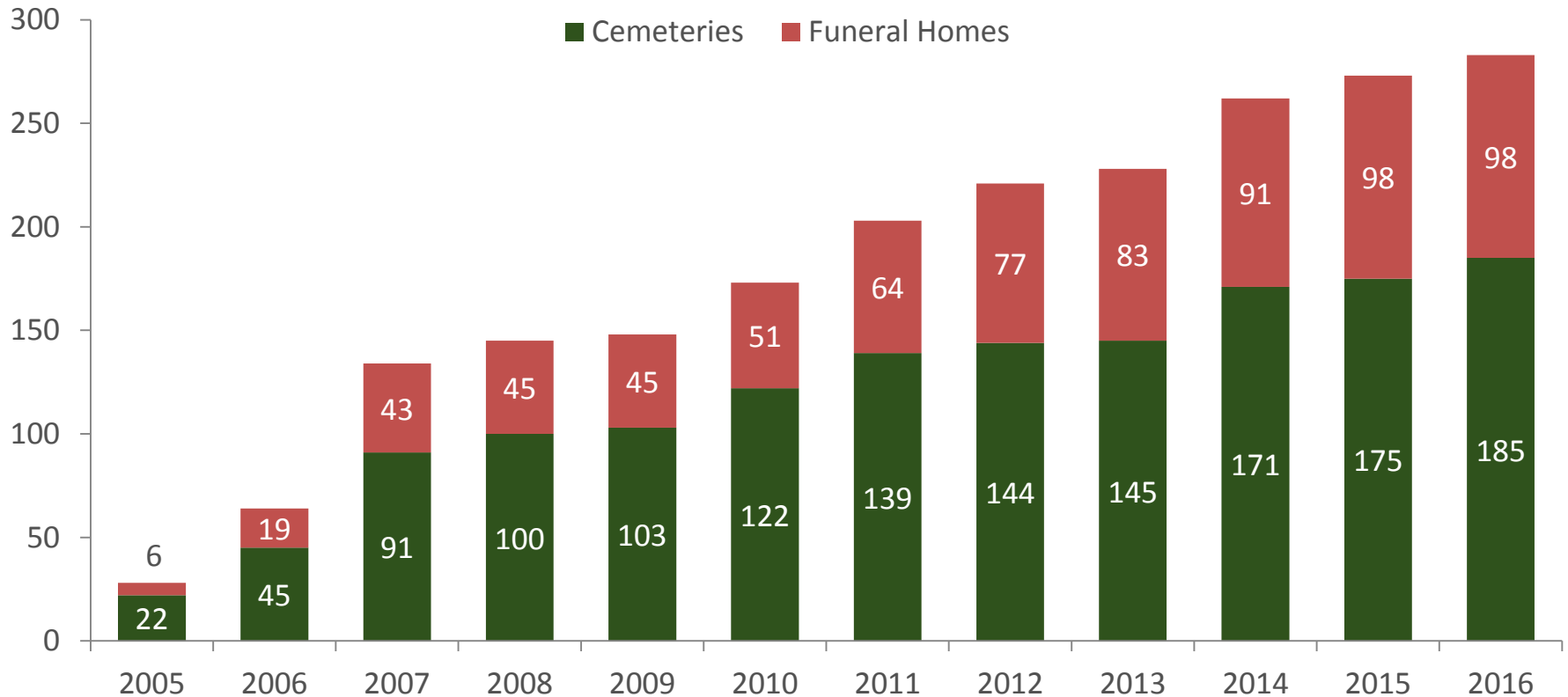
National Footprint



Long History of Steady Growth

- 185 cemeteries and 98 funeral homes acquired since 2004 IPO⁽¹⁾
- Acquisitions have been made at multiples of 4x – 6x EBITDA

Cumulative Properties Acquired Since IPO⁽¹⁾



Deathcare Industry Trends

Deathcare Industry Overview

Large and Highly Fragmented Industry

- \$20 billion industry
- Concentrated independents / non-economic ownership
- Few scale players to act as industry consolidators

Substantial Barriers to Entry

- Virtually no growth in cemetery supply
- Significant financial and operating regulations (state and federal)

Stable Death Rate

- Overall death rate remains stable

Favorable Demographics

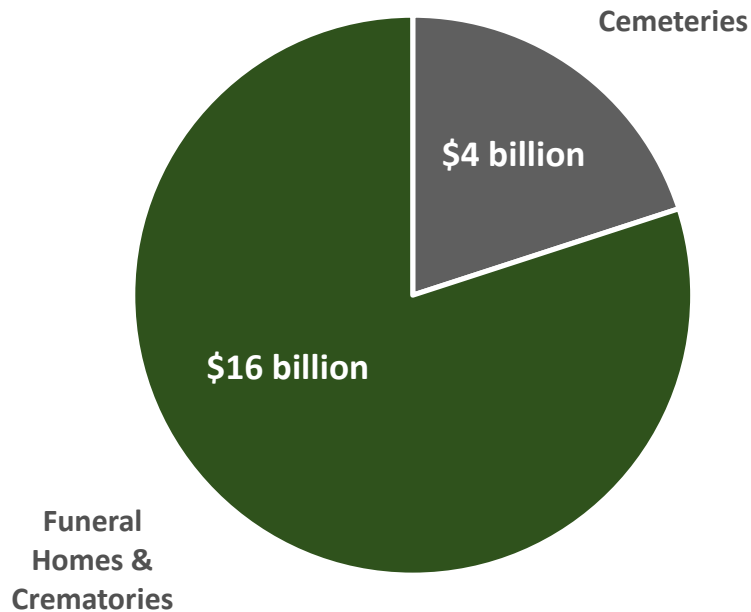
- Aging population driving at-need and pre-need demand
- Pre-need penetration only 17% of population
- Cremation creates opportunity for memorialization

Large and Highly Fragmented Industry

\$20 Billion Deathcare Industry

Hospice Care revenue – \$25 billion in 2016 growing 7%
Assisted Living – \$79 billion in 2016 growing 6%

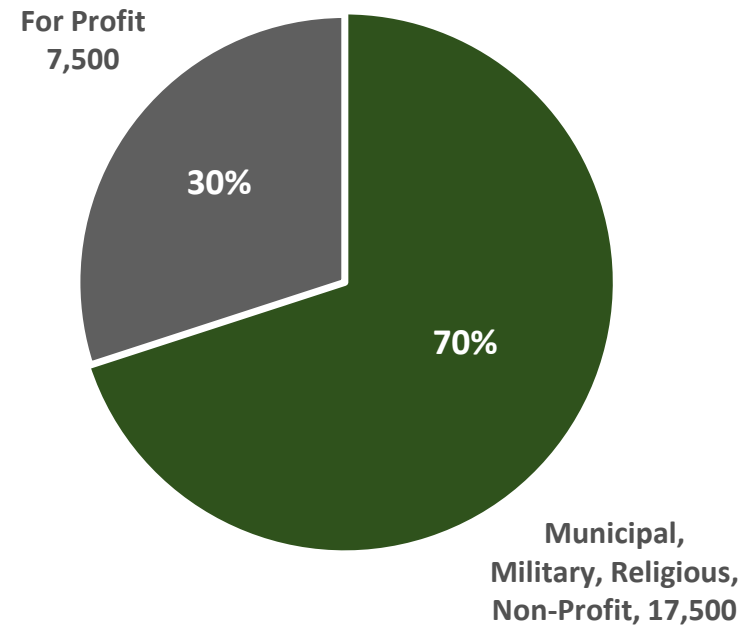
Cemeteries & Funeral Homes



Highly Fragmented Ownership

86% of funeral homes are family owned or small businesses;
14% owned by large corporations

Cemeteries Only



Substantial Barriers to Entry

Cemeteries (Social Infrastructure)

- Scarcity and cost of real estate near densely populated areas
- Zoning restrictions
- Initial capital requirements
- Administratively complex business for new entrants

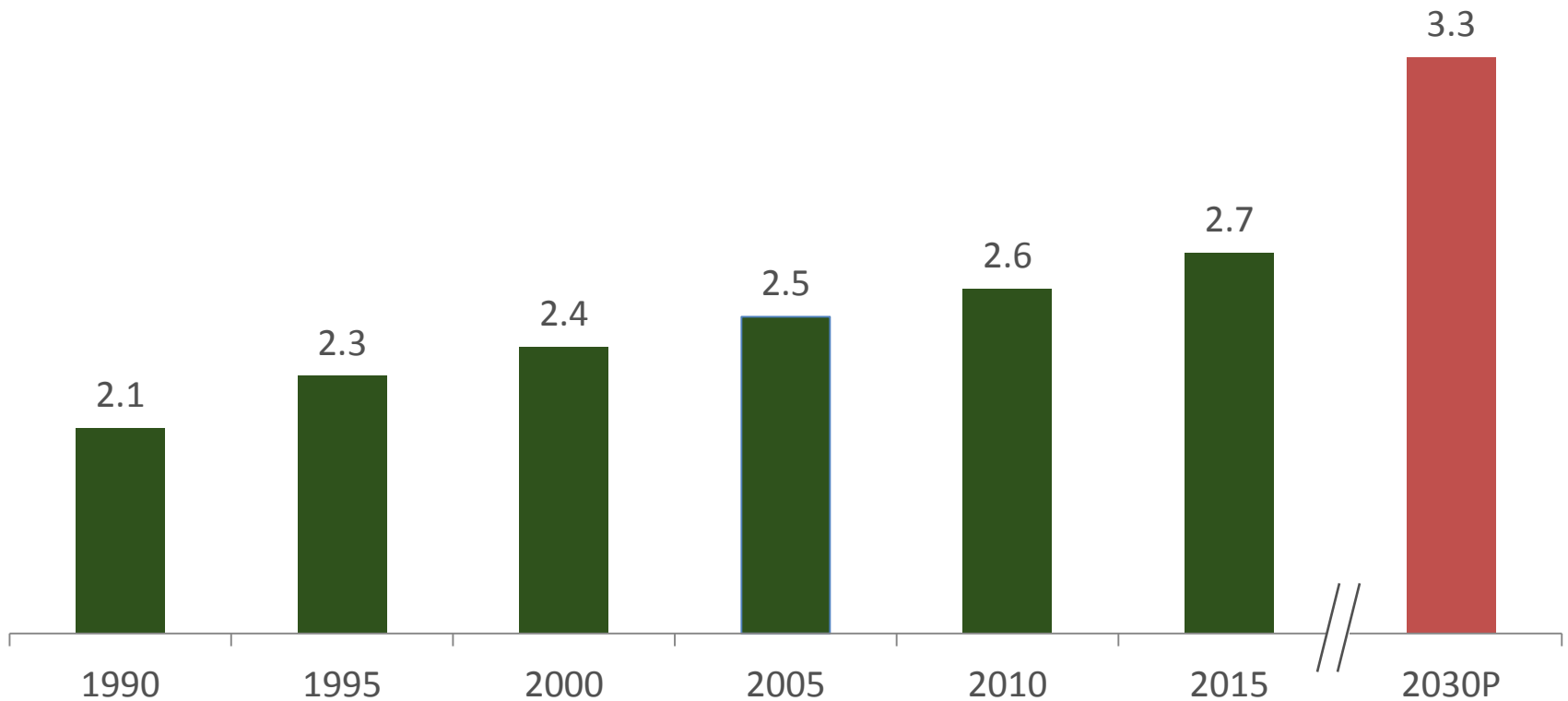
Funeral Homes (Specialty Retail)

- Licensing requirements
- Funeral homes are part of the community
- Strength of family tradition and heritage
- Barriers to entry driven by heritage

Stable Death Rate

- Industry growth driven by demographics and supported by ever-present demand for memorialization and celebrations of life

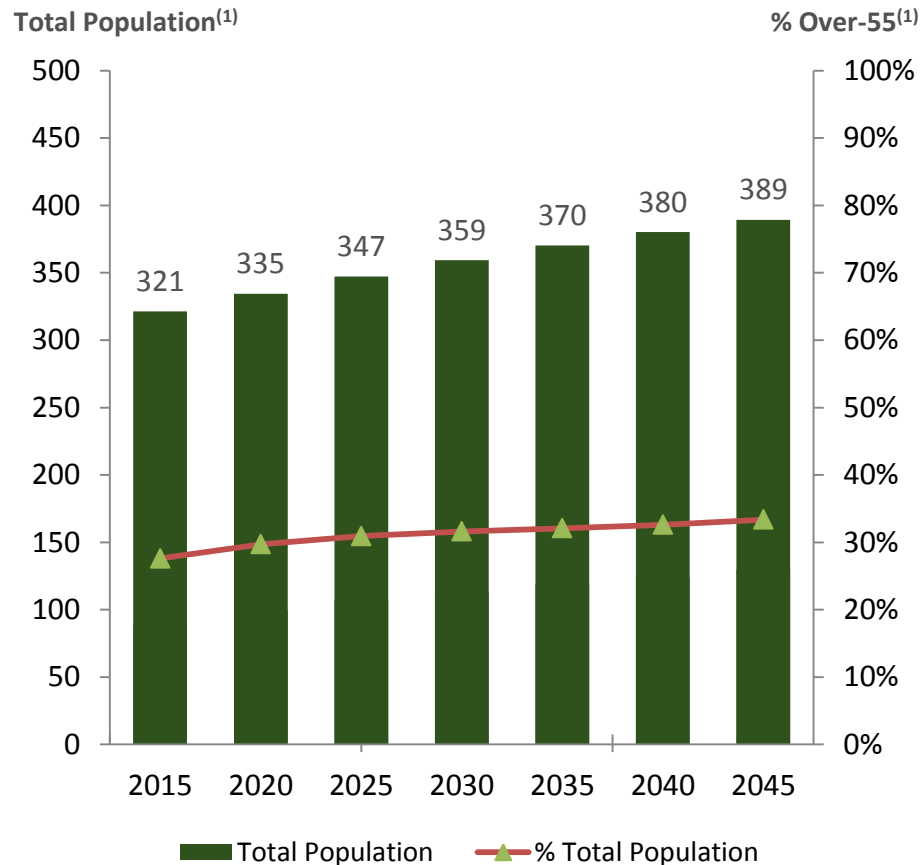
U.S. Death Rate (mm)



Favorable Demographics

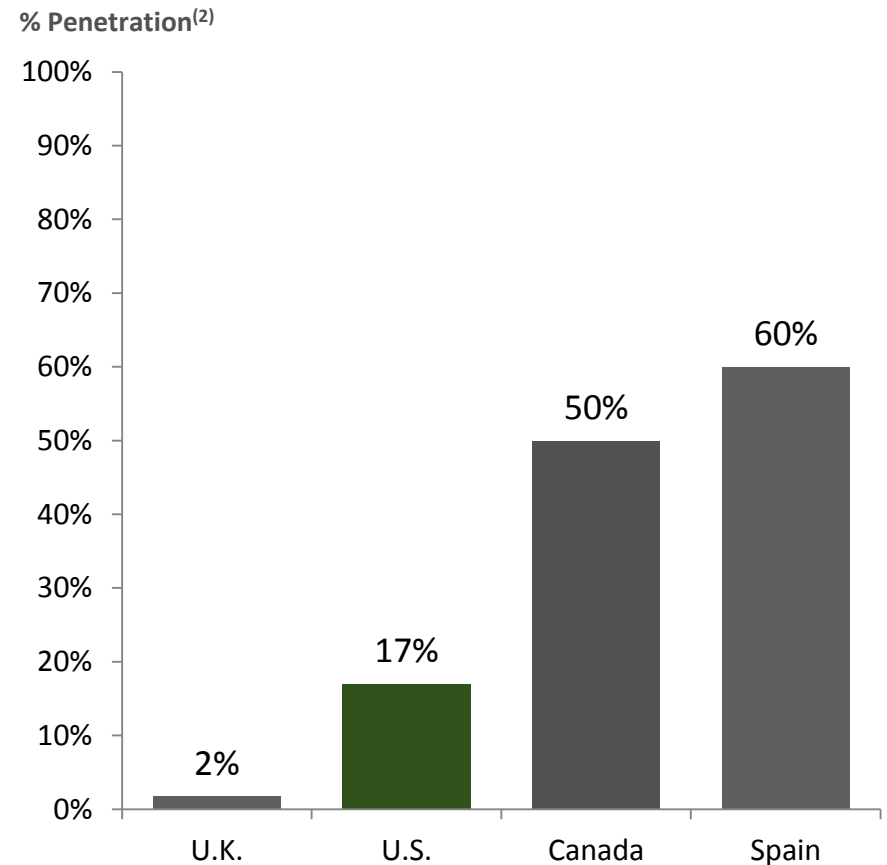
Population Over 55 (mm)

Aging baby boomers causing growth in target market for pre-need sales



Pre-Need Penetration

Pre-need penetration appears to be lower in the U.S. than other certain developed countries



(1) Sources: U.S. Census Bureau 2014 national population projections; industry research.

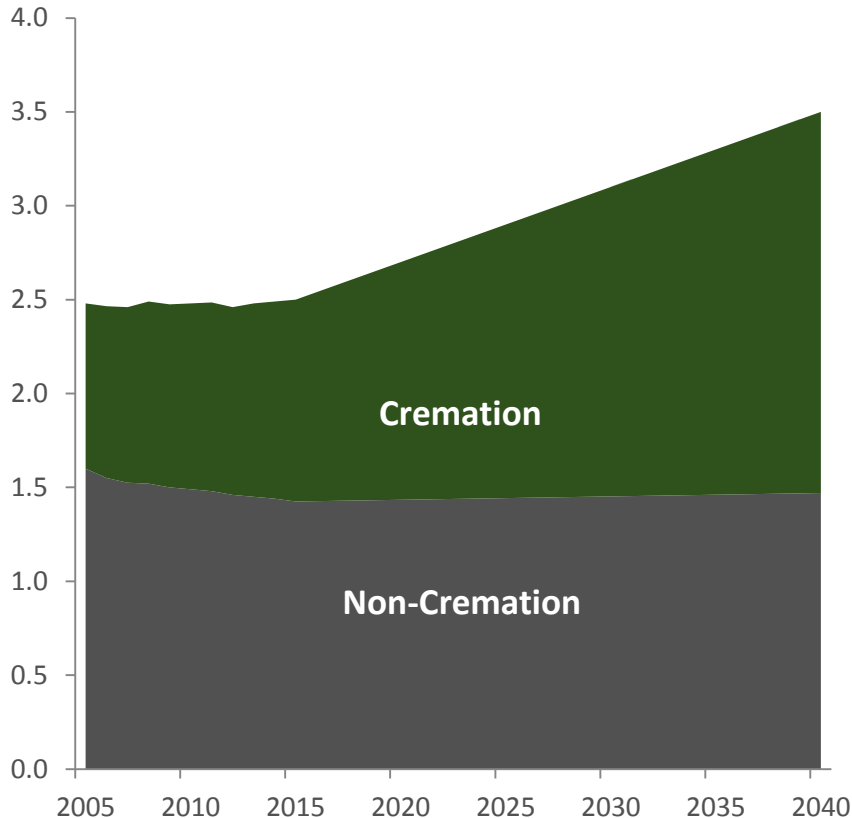
(2) Industry research.

Cremation Creates Opportunity

Rise of Cremation

Growing deathrate expected to offset growing cremation rate

of Deaths (mm)⁽¹⁾



(1) Total anticipated deaths per U.S. Census Bureau 2009 projections.

Margin for Cremation vs. Burial

Cremation profit margin opportunity as great as traditional burial

Traditional Burial Costs: ~\$8,000

- Traditional space
- Vault
- Opening/closing
- Bronze marker/granite base

Margins up to 60%

Sample Cremation Costs: ~\$5,000- \$7,000

- Indoor Niche or Ground Space
- Cremation vault
- Opening/closing
- Bronze marker/plate/granite base

Margins up to 90%

Note: Prices and packages vary by location.

Deathcare Industry Context

- Death care industry continues to grow, driven by demographic tailwinds
- Fragmented ownership and lack of industry consolidators results in substantial consolidation opportunity
- Cremation as much of an opportunity as a threat
- Barriers to entry serve as the basis for company stability

How StoneMor Makes Money

How StoneMor Makes Money

Three Sources of Operating Profitability

Trust Fund Revenue

- Income generated from trust fund investments

At-Need Sales

- Sale of products and services at time of death

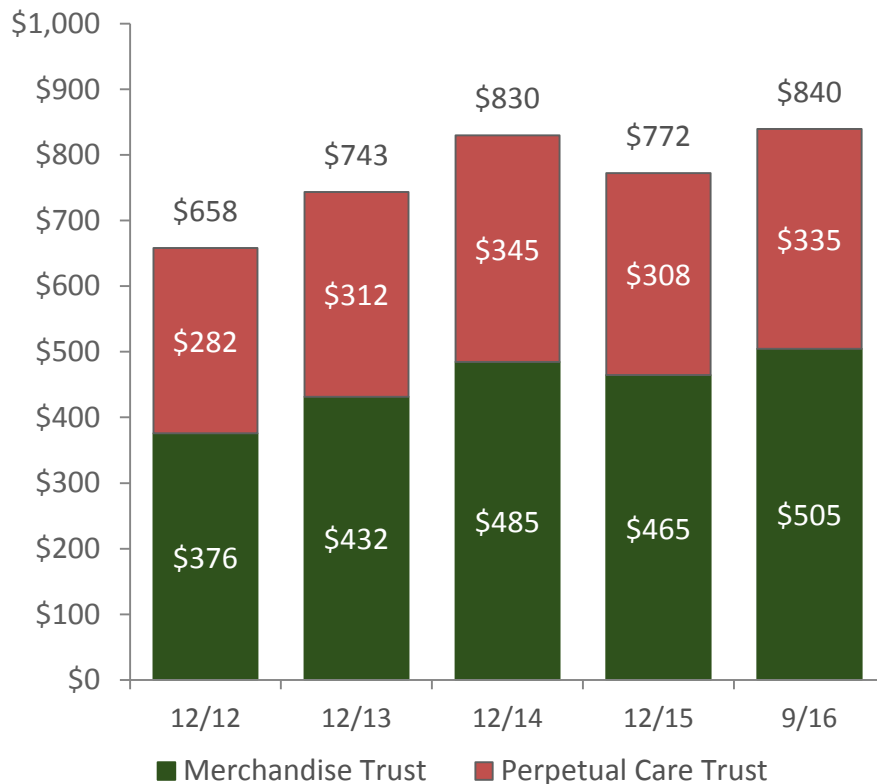
Pre-Need Sales

- Sale of products and services in advance of need

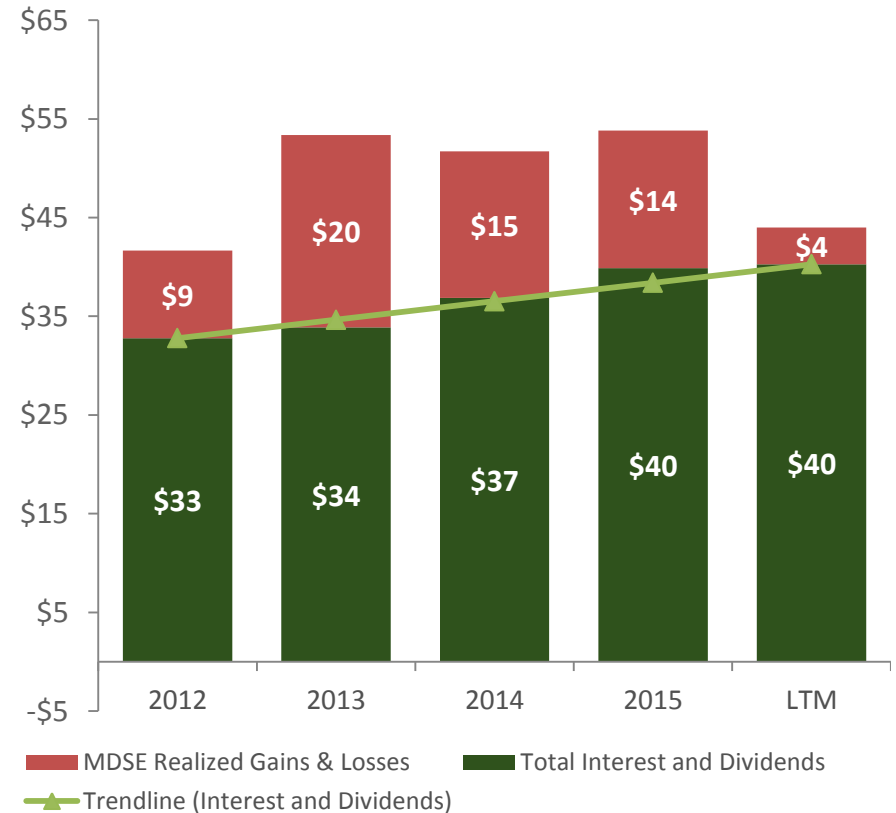
Trust Fund Revenue

- Cemeteries are required by state law to deposit a portion of sales price into trusts
- Funds invested across a diversified portfolio of fixed income and equity investments
- Actively managed by Cambridge Associates as investment advisor

Historical Trust Assets (\$mm)



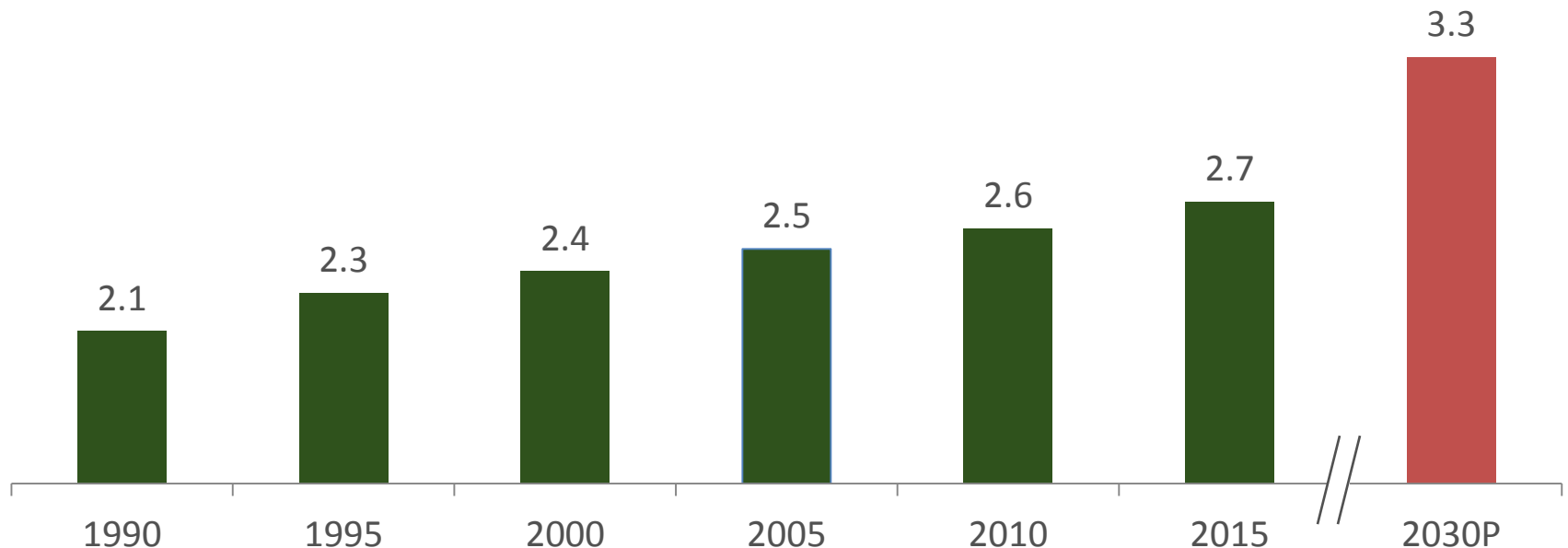
Realized Profit (\$mm)



At-Need Sales

- Closely correlated to death rate
- Market share based on heritage and relatively stable
- Performance largely based on cost control, service quality and death rate
- Expected to increase in near future as baby-boomers age

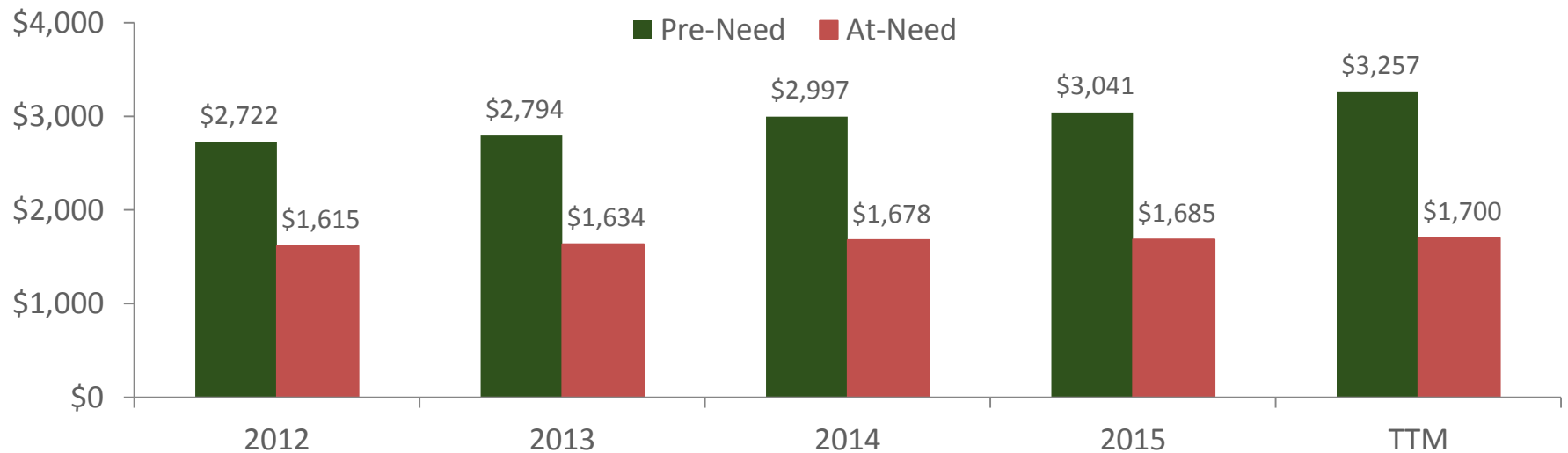
U.S. Death Rate (mm)



Pre-Need Sales

- Requires active management of:
 - Salesforce productivity
 - Cash cycle and trust fund deposits
- Pre-need rationale:
 - Expands Stonemor market share
 - Extends customer lifetime value and builds value in trusts

Average Sales Contract



Source: Company information.

What Went Wrong?

What Went Wrong?

- Drop in sales personnel and pre-need sales resulted in earnings shortfall:

Salesforce Management

- Program initiated a year ago after extensive analysis from national consulting firm
 - Focused on improving productivity and quality
- Initiatives failed and resulted in loss of nearly 200 sales people

- Cash flow was further depressed by operational miscues:

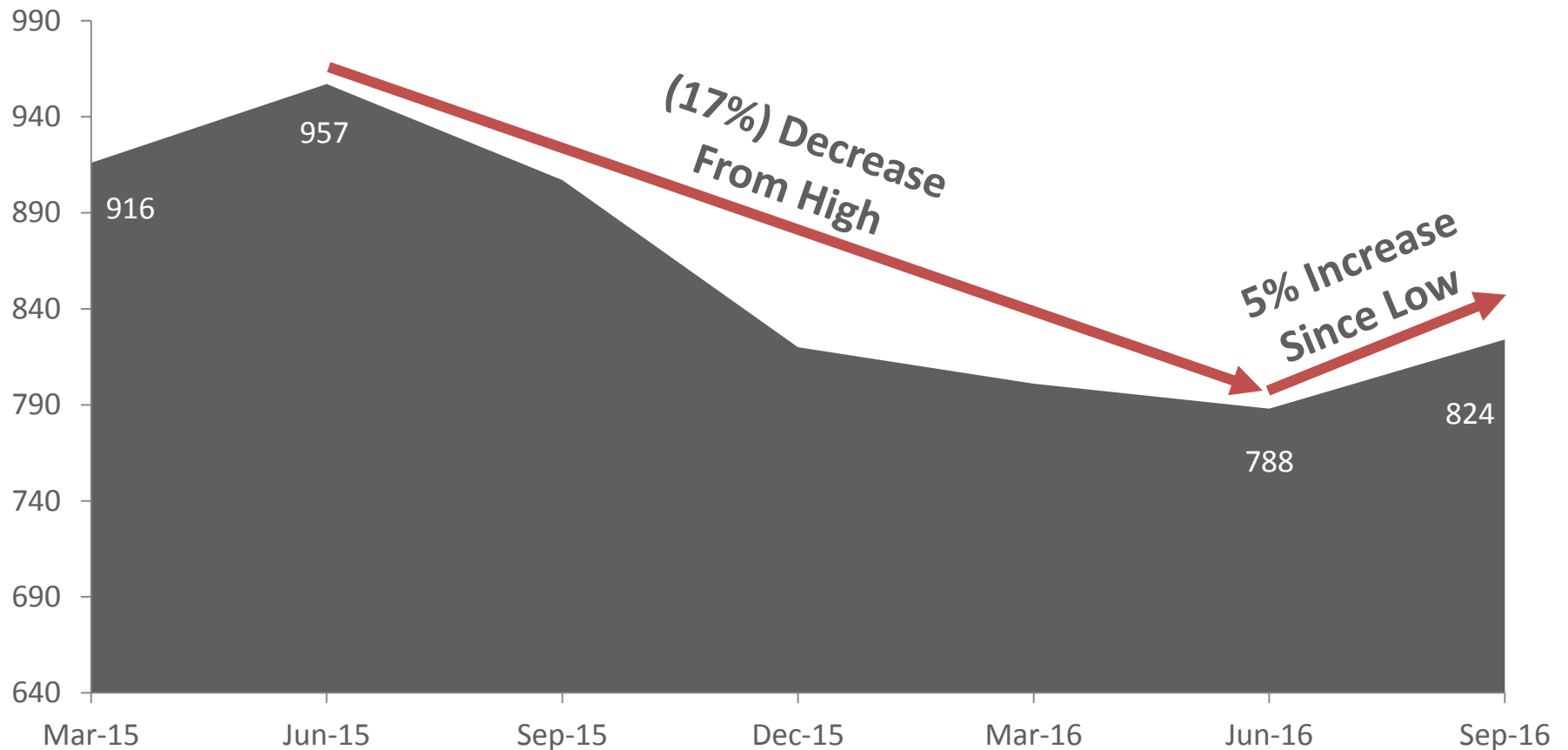
Cash Cycle Management

- Lack of vigilance on long-standing cash management practices resulted in lower quarterly cash flow

Salesforce Attrition

- Severe attrition in lower performing tiers

Total Unique Producing Salespeople Per Quarter



Trust Fund Cash Cycle Management

- “Took eye off the ball”
 - Trust deposits have ballooned in recent years
 - Lost touch with best demonstrated operational practices

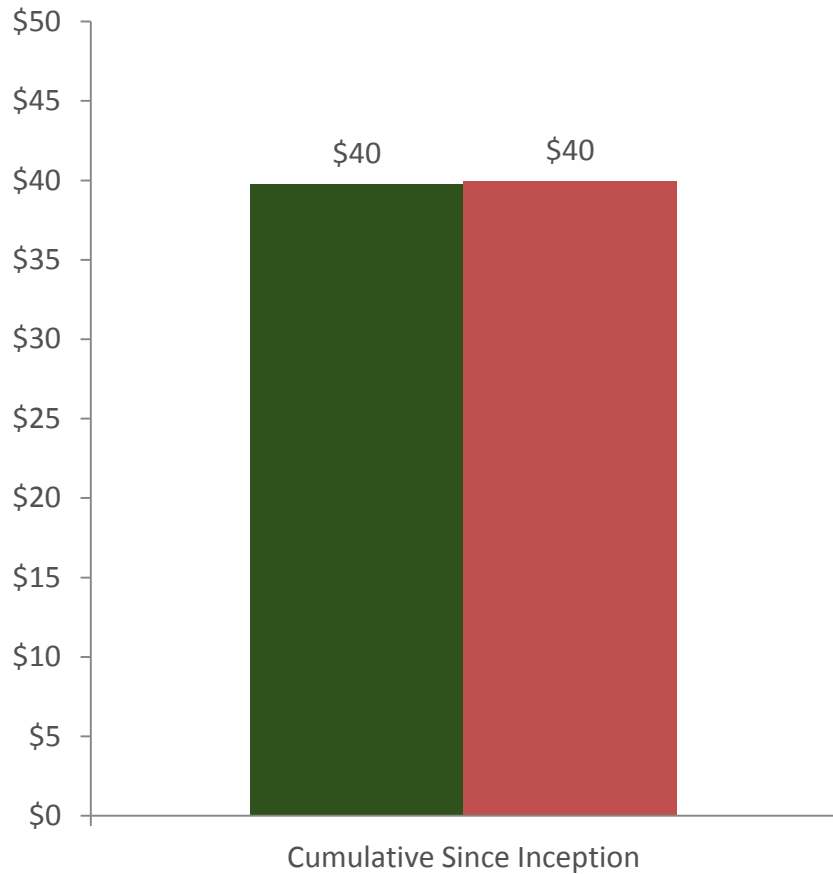
Trust Fund “Stranded Cash” (\$mm)

	Current Cash on Balance Sheet	Recurring Cash
AOP vaults	\$7.9	\$4.0
Other vaults	\$7.9	\$6.0
Markers	\$3.3	\$1.0
Total	\$19.1	\$11.0

AOP Transaction

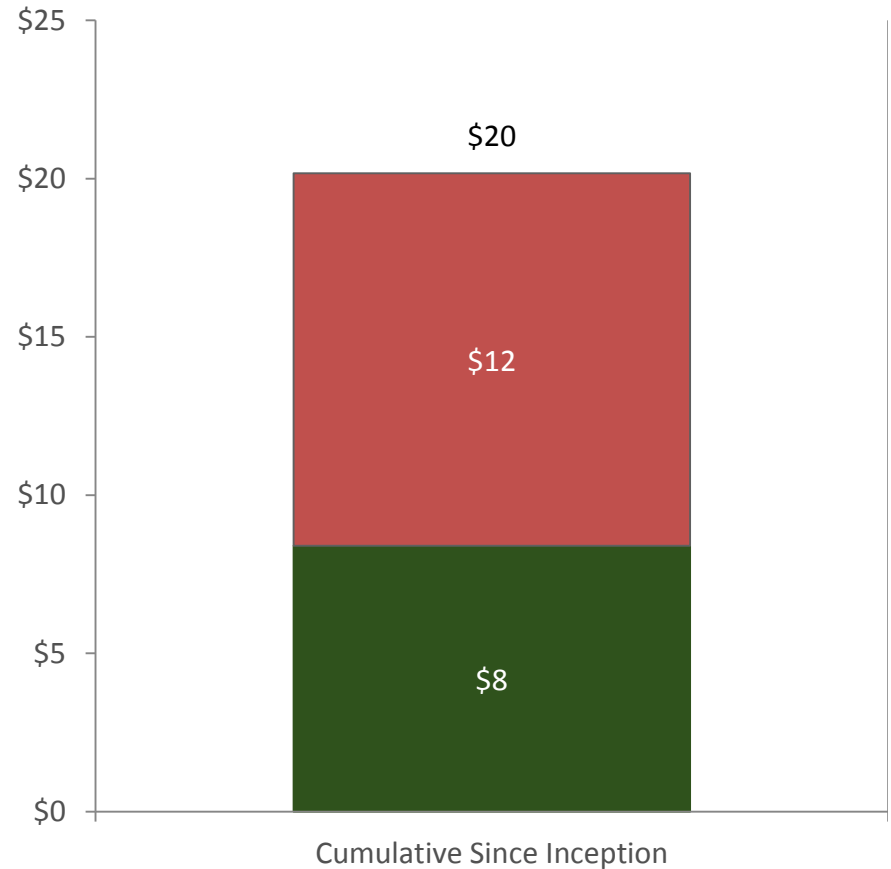
- Significant cash drag from development of pre-need sales for AOP properties

Pre-Need Billings (\$mm)



■ Pre-Need Billings Budget ■ Pre-Need Billings Actual

Working Capital Needs (\$mm)



■ A/R Build-up ■ Trust Build-up

Action Plans

Action Steps Undertaken

Cost Reductions

- Implemented immediate and recurring cost reductions

Cash Cycle Management

- Vault installation
- Marker pre-order program

Salesforce Management

- Increased investment in hiring and training activities

Cost Reductions

- Able to achieve real cash savings of over \$6mm
- Currently implementing \$5mm of additional savings (completed by year end)
- **By year end, StoneMor will have implemented over \$11mm of cost savings that will directly affect 2017 cash flow**
- In addition, StoneMor is evaluating option of using life insurance contracts to replace future pre-need trust deposits for Merchandise Trust fund

Cash Cycle Management

Specific Action Items

- Installing backlog of uninstalled vaults
- Automating marker orders
- Changing contracting and compensation system to better manage cash cycle of trust fund deposits

Costs Required

- Only the loss of future trust earnings from redeemed trust deposits

Expected Results

- Recapture over \$20mm of stranded capital
- Implementation well underway
- Material improvement in ongoing cash flow efficiency

Cash Cycle Management

- Revert to prior operational efficiencies
- Opportunity will result in significant cash influx from trust

Trust Fund “Stranded Units”

	Current Units on Balance Sheet	Recurring Units
AOP vaults	~3,700	~1,900
Other vaults	~7,100	~6,000
Markers	~1,900	~600
Total	~12,700	~8,500

Salesforce Management

Specific Action Items

- Hired National Sales Manager
- Hired national sales force recruiting firm, Xelerate
- Hired 3 additional trainers (8 total)

Costs Required

- Salesforce rebuilding costs, including:
 - Trainer and new sales counselor payroll
 - Travel expenses

Expected Results

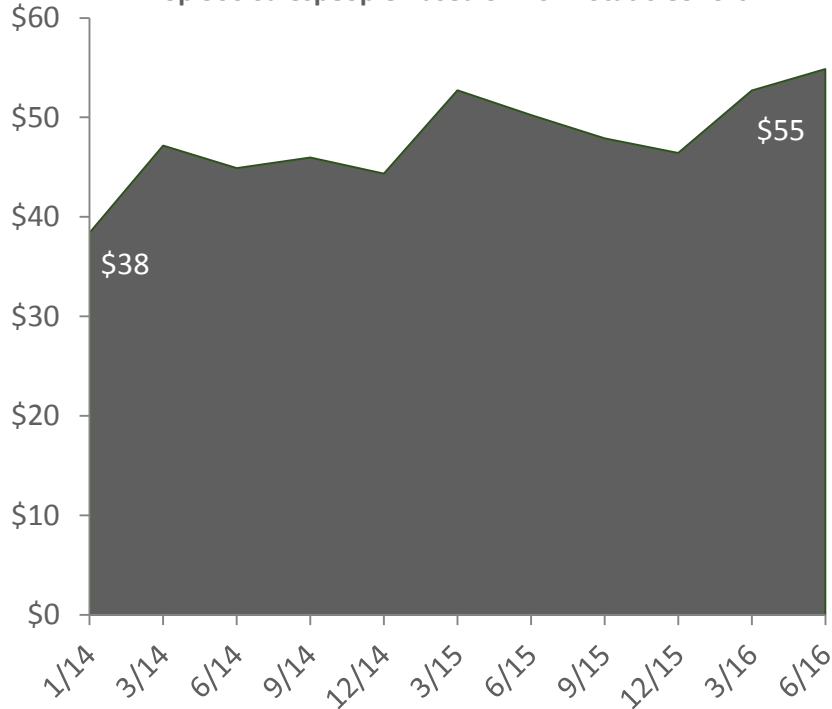
- Increased salesforce headcount to target levels
- Increased salesforce retention
- Initiative that will take 6 to 9 months to complete

Salesforce “Efficiency” Consequences

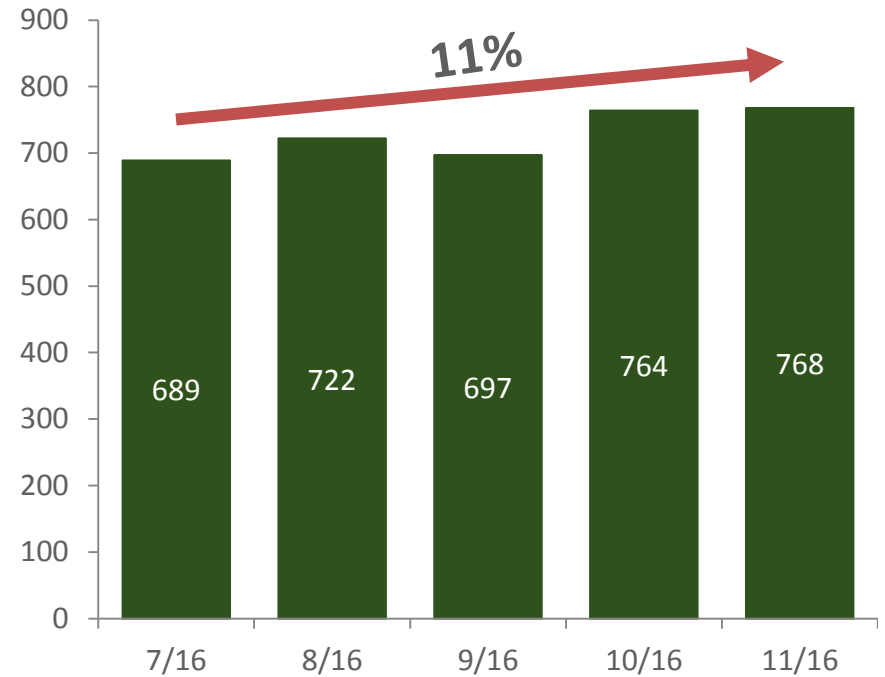
- Recent losses in headcount partially offset by improvements in productivity

Avg. Monthly Sales Per Person (\$000s)

Top 300 Salespeople Based on 2014 Static Cohort



Salesforce Recruiting - Headcount



Historical data show that average salesperson productivity improved even during periods of growing headcount

Salesforce ROI

- Near term recruiting and training investments will result in hiring and retention of quality salespeople

Recruiting and Training Costs

Annual training costs: \$3,100,000

- \$2,100,000 for salesforce training salaries
- \$1,000,000 for internal training staff + other

Annual recruiting costs: \$350,000

- \$250,000 for national recruiting firm, Xelerate
- \$100,000 for internal recruiting staff

Total annual run rate costs: \$3,450,000

Total 2015 costs: \$1,500,000

Avg. LTM Billings By Salesperson

Salesperson Tier	Average LTM Billings (\$000s)
1-100	\$946
101-200	\$503
201-500	\$253

Note: LTM as of Q3'16.

Hiring of 100 "Tier 3" salespeople would result in 3.1x ROI on annual recruiting and training costs⁽¹⁾

Next Steps / Visibility

Where We Are Now

- Business is stabilized
 - Recent sales, headcount and other metrics reflect positive momentum

Even At Today's Reduced Revenues Current Distribution Is Sustainable

	YTD Sept 2016	Annualized YTD Sept 2016
GAAP Operating Cash Flow	\$ 18.5	\$ 24.7

Actions undertaken to impact GAAP Operating Cash Flow in 2017:

- Recurring trust fund cash due to improved practices \$ 10.6
- Implemented recurring cost savings \$ 11.0

3rd Quarter 2016 Cash Distribution Annualized is \$44.4

What To Look For

Evidence of Execution of Corrective Strategies

- Sales Force Initiative
 - Monthly operating release will give progress transparency
 - Expect 100-150 additional sales people will added soon
 - 100+ people already hired & in training
- Cost Reduction Initiative
 - Detailed outline of these cost strategies in 4Q16 earnings call
 - Cost reductions nearly complete
- Trust Cash Management Initiative
 - Expect statistics on this project to be added to monthly releases
 - Recent vault installation run-rate has been at 25K/yr (vs. 6K/y)
 - Total stranded cash expected to be recovered in 6-9 months

Path To Distribution Growth

- The trust fund cash management and costs initiatives are well underway
- We are now singularly focused on the sales recovery effort
- There is a direct correlation between sales headcount and operating results
- However, success of this initiative initially shows up in non-GAAP operating results
- Visibility of the cash flow impact of this is complicated by SEC focus on non-GAAP reporting
- Therefore, as the sales force recovers, we expect to begin modestly increasing distributions
- However, the bulk of the increase in our DCF will initially be utilized to increase our coverage ratio
- We expect the operating recovery to be complete by YE 2017, with GAAP operating cash flow demonstrating this in 2018.

Q&A

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