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Investment Memo

Epsilon EdTech

Personalized AI tutoring platform that adapts to each student's learning style and pace

Series A | January 2025

Executive Summary

Epsilon EdTech is building an AI-powered personalized tutoring platform for K-12 students. The platform uses adaptive learning algorithms and conversational AI to provide 1-on-1 tutoring experiences across math, science, and language arts. Unlike traditional edtech tools that offer static content, Epsilon's AI tutor dynamically adjusts difficulty, teaching style, and pacing based on real-time student performance. Founded by two former high school teachers and an ML engineer from DeepMind, the company has achieved \$4M ARR with 100K active students across 5,000 schools. Studies show Epsilon students improve standardized test scores by an average of 25%. The company is raising \$12M in Series A to expand subject coverage and launch internationally.

Key Metrics

Metric	Value
ARR	\$4.0M
Active Students	100,000
Schools	5,000
Average Test Score Improvement	25% (standardized assessments)
Student Engagement	35 minutes avg daily session
Teacher Adoption	92% of teachers report positive impact
Monthly Student Retention	94%
District Contract Renewal	98%

Company Overview

The US education system faces a critical tutoring gap: research shows 1-on-1 tutoring improves student performance by 2 standard deviations (Bloom's 2-sigma problem), but human tutoring at \$40-80/hour is unaffordable for most families. Epsilon EdTech solves this by providing AI tutoring at \$15/month per student. The platform features: (1) Conversational AI tutor with voice and text interaction, (2) Adaptive learning engine that identifies knowledge gaps and adjusts curriculum, (3) Multimodal explanations (text, diagrams, animations, worked examples), (4) Real-time progress dashboards for teachers and parents, (5) Alignment with Common Core and state-specific standards. The AI tutor handles 85% of student interactions autonomously, with human tutors available for escalation.

Market Opportunity

The global K-12 edtech market is \$80B, growing at 16% annually. The US tutoring and supplemental education market is \$20B. Key market drivers: (1) Post-COVID learning loss affecting 65% of students, (2) Growing achievement gaps in underserved communities, (3) Teacher shortages (300K+ unfilled positions in the US), (4) School districts investing in personalized learning technology. The platform targets the \$12B school-purchased supplemental education segment and the \$8B consumer tutoring market.

Founding Team

Name	Role	Background
Jennifer Walsh	CEO	Former high school math teacher (8 years). Education Policy Fellow at Harvard
David Okafor	CTO	Ex-DeepMind research engineer (4 years). Worked on adaptive AI systems and
Amanda Torres	VP Product	Former science teacher (6 years) turned edtech product leader at Khan Academy

Business Model

Epsilon EdTech operates a dual B2B/B2C model. B2B (schools/districts): Per-student license at \$120-180/year, sold to schools and districts in annual contracts. Average district contract: \$200K/year. B2C (families): Monthly subscription at \$15/student/month for up to 3 subjects. Current revenue split: 65% B2B (school contracts), 35% B2C (family subscriptions). B2B contracts include teacher dashboards, admin analytics, and professional development resources.

Financial Overview

Metric	Value
Current ARR	\$4.0M
Monthly Burn Rate	\$500K
Runway	14 months
Previous Funding	\$4M Seed (Reach Capital, NewSchools Venture Fund)
Total Raised	\$4M
Cash on Hand	\$7M
Gross Margin	85%
LTV:CAC Ratio	6:1 (B2B), 4:1 (B2C)

Traction & Milestones

- 100K active students across 5,000 schools in 32 states
- \$4M ARR with 120% net revenue retention in B2B segment
- 25% average standardized test score improvement (validated by 3 independent studies)
- 98% district contract renewal rate
- Partnerships with 3 state education departments for supplemental instruction
- 35 minutes average daily engagement per student
- Awarded ISTE Seal of Alignment for Common Core standards
- Named 'Best AI Education Tool' by EdSurge (2024)

Competitive Landscape

The edtech tutoring space is crowded but differentiated. Khan Academy offers free content but limited personalization. IXL provides adaptive practice but not conversational tutoring. Photomath handles math problems but doesn't teach conceptual understanding.

Competitor	Differentiation
Khan Academy	Free content, limited AI personalization. Epsilon offers true 1-on-1 adaptive AI tutoring.
IXL Learning	Adaptive practice, no conversational AI. Epsilon provides interactive, dialogue-based tea
Duolingo	Language only, gamified. Epsilon covers math, science, language arts with deeper pedag
Age of Learning (ABCmouse)	Early childhood only. Epsilon serves K-12 with rigorous academic content.

Key Risks

- School budget constraints and lengthy procurement cycles (6-12 months)
- Concerns about AI replacing human teachers (requires careful positioning)
- Student data privacy regulations (FERPA, COPPA) across states
- Competition from free tools (Khan Academy) and well-funded competitors
- Need for continuous curriculum development as standards evolve

Funding Ask

Amount: \$12M

Valuation: \$50M pre-money

Use of Funds:

- Product Development (40%): Expand to 5 new subjects, build Spanish-language version, enhance AI tutor
- Sales & Marketing (30%): Hire district sales team, launch B2C marketing campaign

- Research & Efficacy (15%): Fund 2 peer-reviewed efficacy studies, partner with university researchers
- Infrastructure (10%): Scale cloud infrastructure for 500K+ concurrent students
- Operations (5%): Compliance, legal, and operational systems